Financial statements

Consolidated statement of profit or loss

x € million

	Notes	2021	2020	2019
Continuing operations				
Revenue	2, 3	**1,898**	**1,946**	**2,395**
Cost of sales		(1,400)	(1,478)	(1,811)
Gross profit		**498**	**468**	**584**
Other operating income	4	**7**	**4**	**13**
Employee expenses	5	(226)	(230)	(275)
Premises costs		(29)	(31)	(30)
Selling costs		(10)	(17)	(20)
Logistics costs		(91)	(86)	(112)
General and administrative expenses		(40)	(33)	(33)
Depreciation of property, plant and equipment and right-of-use assets	11, 12	(60)	(68)	(60)
Amortisation of intangible assets	10	(21)	(21)	(22)
Impairment of property, plant and equipment	11	(0)	0	(1)
Impairment of goodwill and other intangible assets	10	(3)	(62)	
Total operating costs		**(480)**	**(548)**	**(553)**
Operating result	2	**25**	**(76)**	**44**
Finance income	8	0	0	0
Finance costs	8	(7)	(9)	(7)
Share in the result of associates	13	8	7	5
Pre-tax profit (loss)		**26**	**(78)**	**42**
Income taxes	9	(6)	8	(8)
Profit (loss) from continuing operations		**20**	**(70)**	**34**
Discontinued operations				
Profit (loss) from discontinued operations				(1)
Net profit (loss)		**20**	**(70)**	**33**
Profit (loss) attributable to shareholders of the company		**20**	**(70)**	**33**

x €1

	Notes	2021	2020	2019
Details per share				
Basic earnings (loss) per share	20	0.45	(1.59)	0.75
Diluted earnings (loss) per share	20	0.45	(1.58)	0.75
Basic earnings (loss) per share from continuing operations		0.45	(1.59)	0.78
Diluted earnings (loss) per share from continuing operations		0.45	(1.58)	0.78
Dividend proposed	19	-	-	0.55

Consolidated statement of comprehensive income

x € million

	2021	2020	2019
Net profit (loss)	20	(70)	33
Items that have been or may be reclassified to profit or loss:			
Cash flow hedges, after tax		1	1
Other comprehensive income that will be reclassified to profit or loss, after tax		1	1
Comprehensive income	**20**	**(69)**	**34**
Comprehensive income attributable to shareholders of the company	**20**	**(69)**	**34**

Consolidated statement of cash flows

x € million

	Notes	2021	2020	2019[1]
Receipts from customers		2,162	2,312	2,749
Receipts from other operating income		3	0	7
		2,165	**2,312**	**2,756**
Payments to suppliers		(1,802)	(1,936)	(2,324)
Payments to employees		(128)	(129)	(131)
Payments to the government[2]		(164)	(150)	(166)
		(2,094)	**(2,215)**	**(2,621)**
Net cash flow from business operations	29	71	97	135
Interest paid		(2)	(5)	(7)
Dividends received from participations	13	5	4	5
Income tax received (paid)		(1)	5	(1)
Net cash flow from operating activities		**73**	**101**	**132**
Acquisitions of subsidiaries	1		(0)	(52)
Proceeds from sales of subsidiaries	1	0	1	1
Purchase of property, plant and equipment	11	(21)	(45)	(105)
Proceeds from disposal of property, plant and equipment		7	62	46
Purchase of intangible assets	10	(23)	(27)	(20)
Purchase of interests in and loans to associates	13		(2)	
Other receipts from sales of interests in and repayment of loans by associates	13	2	1	3
Net cash flow from investing activities		**(35)**	**(10)**	**(127)**
Long-term borrowings drawn	22			50
Repayments on long-term borrowings	22		(67)	(14)
Change in treasury shares		1	1	(1)
Lease liabilities paid		(23)	(23)	(18)
Dividend paid			0	(62)
Net cash flow from financing activities		**(22)**	**(89)**	**(45)**
Change in cash, cash equivalents and short-term borrowings		**16**	**2**	**(40)**
Opening balance		(5)	(7)	33
Closing balance		**11**	**(5)**	**(7)**

[1] Contains the cash flows from both continuing and discontinued operations.

[2] Includes the payment of €28 million received from the government under the NOW wage subsidy scheme (2020: €19).

Consolidated statement of financial position

x € million

	Notes	31 December 2021	31 December 2020	28 December 2019
Assets				
Goodwill	10	125	125	168
Other intangible assets	10	146	149	163
Property, plant and equipment	11	282	299	362
Right-of-use assets	12	211	216	176
Investments in associates	13	55	54	50
Other non-current financial assets	13	7	8	10
Deferred tax assets	9	0	2	
Total non-current assets		**826**	**853**	**929**
Inventories	14	226	188	230
Trade and other receivables	15	131	111	228
Other current assets	16	36	30	46
Income tax	9	0	1	3
Cash and cash equivalents	17	12	13	19
		405	**343**	**526**
Assets held for sale	18	2	2	
Total current assets		**407**	**345**	**526**
Total assets		**1,233**	**1,198**	**1,455**

	Notes	31 December 2021	31 December 2020	28 December 2019
Liabilities				
Paid-up and called-up capital		3	3	3
Share premium		31	31	31
Other reserves		(4)	(5)	(7)
Retained earnings		423	403	473
Total equity	19	**453**	**432**	**500**
Deferred tax liabilities	9	22	22	26
Employee benefits provision	5	2	2	2
Other non-current provisions	21	0	0	0
Long-term borrowings	22	160	160	160
Non-current lease liabilities	12	214	218	174
Total non-current liabilities		**398**	**402**	**362**
Current provisions	21	0	3	8
Current portion of long-term borrowings	22			77
Short-term borrowings	22	1	18	26
Current lease liabilities	12	20	19	15
Trade and other payables	31	255	217	350
Income tax	9	3	1	0
Other taxes and social security contributions	23	22	37	33
Other liabilities, accruals and deferred income	24	81	69	84
Total current liabilities		**382**	**364**	**593**
Total liabilities		**1,233**	**1,198**	**1,455**

Consolidated statement of changes in shareholders' equity

x € million

	Paid-up and called-up capital	Share premium	Other reserves	Retained earnings	Total
Balance as at 28 December 2019	**3**	**31**	**(7)**	**473**	**500**
Share-based payments					
Dividend paid					
Treasury share transactions			1		1
Transactions with owners	0	0	1	0	1
Profit (loss) for the financial year				(70)	(70)
Cash flow hedge			1		1
Total realised and unrealised results	0	0	1	(70)	(69)
Balance as at 31 December 2020	**3**	**31**	**(5)**	**403**	**432**
Share-based payments					
Dividend paid					
Treasury share transactions			1		1
Transactions with owners	0	0	1	0	1
Profit (loss) for the financial year				20	20
Cash flow hedge					0
Total realised and unrealised results	0	0	0	20	20
Balance as at 31 December 2021	**3**	**31**	**(4)**	**423**	**453**

Notes to the consolidated financial statements

Summary of accounting principles

List of notes

Notes to the consolidated financial statements

A. General

Reporting entity

Sligro Food Group N.V. comprises food service companies in the Netherlands and Belgium, offering a comprehensive range of food and food-related non-food products and services. The head office of Sligro Food Group N.V. is located at Corridor 11, 5466 RB Veghel, Netherlands. Sligro Food Group N.V. is a public limited company under Dutch law and registered with the Chamber of Commerce under number 160.45.002. The consolidated financial statements cover the Company and its subsidiaries (hereinafter referred to as the Group).

Financial year

The Group amended the articles of association of Sligro Food Group N.V. and all its wholly-owned subsidiaries in 2020 and switched from a financial year based on the international week numbering system to a financial year based on the calendar year. This change means that the 2020 financial year comprises the period from 29 December 2019 to 31 December 2020, which amounts to 52 weeks and five days. The 2021 financial year comprises the full calendar year, which amounts to 52 weeks and 1 day.

B. Changes in presentation

With the exception of the changes detailed under E. New standards and interpretations, the Group has applied the accounting policies consistently for all periods covered by these consolidated financial statements.

Profit from discontinued operations

Vroegop AGF, which was acquired as part of the acquisition of Wheere in 2019, is presented as 'Profit (loss) from discontinued operations' in the corresponding figures for 2019. This entity's operations have meanwhile been discontinued, but the entity itself has not yet been dissolved.

C. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS). The Executive Board approved the financial statements for publication on 3 February 2022.

D. Accounting policies applied in the preparation of the consolidated financial statements

The financial statements are presented in euros, which is Sligro Food Group's functional currency, rounded to the nearest million, unless stated otherwise. Percentages are calculated on the basis of the underlying figures in thousands. The financial statements have been prepared based on historical cost, except for derivatives, which are measured at fair value. Assets held for sale are measured at either the carrying amount or fair value, depending on which is the lowest, less selling costs.

Going concern

The outbreak of COVID-19 and the measures the government took in response to it have had a major impact on revenue in both the previous and the current financial year. The Group has protected its cash flow by intervening in its cost base, choosing investments with care, making use of government facilities and carefully managing its working capital. While revenue picked up over the course of 2021 and Sligro ceased to use government facilities from the third quarter of 2021 onwards, recent developments have seen the Group return to maximum care in choosing investments and managing its operating capital. The Group paid dividend neither in 2020 nor in 2021.

The impact of COVID-19 will mean that recovery to a profitable operation in Belgium will take longer than previously expected. The Group therefore recognised an impairment of intangible assets of €60 million in June 2020 and an additional impairment of €3 million in December 2021.

The measures the Group has taken in terms of cost-cutting in combination with government support under the NOW and TVL wage subsidy schemes in the Netherlands and the TWO wage subsidy scheme in Belgium, limiting investments and scrapping dividends have kept its debt position stable and the conditions of the financing covenants were met at all formal measurement points. The Group held constructive talks with its main bank and USPP financiers right at the beginning of the COVID-19 outbreak. These talks led to the broader financing conditions agreed in 2020 being extended to the end of 2022, with an option for a further extension through to the end of 2023, meaning that the liquidity margin is adequate to support the operational situation.

The following notes provide a more detailed explanation of the impact of COVID-19 and the measures taken:

- Note 5.D on the government facilities relating to support for employee expenses which the Group has taken advantage of.
- Note 6 concerning the remuneration of the Executive Board.
- Note 10 on the impairment of intangible assets as at 30 June 2020 and 31 December 2021 and the assessment of the net recoverable amount of the cash-generating units in the Netherlands and Belgium as at financial year-end.
- Note 22 concerning the additional agreements on the financing and broadening of the covenants.
- Note 23 on deferred tax payments.

The development of COVID-19 in 2022 remains uncertain and, by extension, so does its impact on our customers and revenue. As of the start of 2022, (partial) lockdown measures are in place in both the Netherlands and Belgium and it is unclear how long these will last. For that reason, the Group will continue to monitor costs and expenditure for investments very critically in 2022 as well.

The Executive Board is confident that, upon approval of these financial statements, the Group will have sufficient resources to remain operational in the near future. In compiling the financial statements, the assumption is, therefore, that the business is a going concern. The Group sees no reason to presume that it will be unable to continue its activities in the foreseeable future.

Judgements, estimates and assumptions

IFRS-compliant reporting requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on past experience, as well as on forecasts and various other factors that are considered fair under the circumstances. The results constitute the basis for judgements on the carrying amount of assets and liabilities that cannot be simply derived from other sources. The actual results may differ from these estimates. The estimates and underlying assumptions are under constant review. Revisions to estimates are recognised in the period in which the estimate is revised if the revision only has consequences for that period, or in the revision period and future periods if the revision has consequences for both the reporting period and future periods.

For an explanation of the specific items in the financial statements to which judgements, estimates and assumptions apply, please see Note 28.

Impairments

Regular checks are performed for indications of the carrying amount of qualifying assets being subject to impairment. If such indications exist, an estimation is made of the recoverable amount of the asset based on the present value of projected future cash flows or the direct net realisable value. If the carrying amount exceeds the recoverable amount, an impairment loss will be charged to the result.

E. New standards and interpretations

E.1 New and amended standards effective from the 2021 financial year onwards

With the exception of the changes detailed below, the Group has applied the accounting policies consistently for all periods covered by these consolidated financial statements.

Accounting policy changes as of the 2021 financial year

The European Commission did not approve any new IFRS standards in 2021.

The following amendments to existing standards applied from 2021:

Amendment to IFRS 16 Leases - COVID-19-Related Rent Concessions after 30 June 2021

The amendment to IFRS 16 Leases 'COVID-19-Related Rent Concessions' applied between May 2020 and 30 June 2021. This amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. Where possible, the Group has made use of this practical option for the rent concessions. In March 2021, this amendment was extended through to 30 June 2022. The Group made use of this extension as well. For details of the effect of this application, please see Note 12.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - Interest Rate Benchmark Reform - Phase 2

In order to provide more clarity on the recognition of changes in contractual cash flows and hedge relationships following the interest rate benchmark switch from an interbank interest rate (IBOR) to an alternative benchmark interest rate (risk-free rate), various standards have been amended. Given that the Group does not use derivatives, these amendments do not have a direct material impact on the Group. Phase 1, which was in force from 2020, was not relevant to the Group because it concerned hedge accounting.

The amendments do affect the Group's loans and lease liabilities, as these contain references to IBORs and are subject to the interest rate benchmark reform.

- When the contractual conditions of the Group's bank loans are changed as a direct consequence of the interest rate benchmark reform and the new basis for the calculation of contractual cash flows is economically equivalent to the basis as it was immediately prior to the amendment, the Group will prospectively change the basis for determination of contractual cash flows by revising the effective interest rate. If this situation occurs, no significant impact on the measurement of the loans and financial expenses is to be expected.
- When a lease is amended as a direct consequence of the interest rate benchmark reform, the Group will measure the revised lease payments based on a revised discount rate.

E.2 New standards and accounting policy changes not yet effective

The new IFRS 17 Insurance Contracts standard, which is set to take effect on 1 January 2023, is not relevant to the Group and will, therefore, not be detailed further in these financial statements.

The following amendments to the existing standards have been approved by the IASB but will not take effect until 1 January 2022:

- Amendments to IAS 16 Property, Plant and Equipment – the amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended. Instead, proceeds from selling such items, and the cost of producing those items, must be recognised in the statement of profit or loss.
- Amendments to IAS 37 Provisions, Contingent Liabilities, and Contingent Assets - the amendments are intended to create greater clarity on which costs are to be included in the cost of fulfilling a contract for assessment of whether the contract is loss-making.
- Amendments to IFRS 3 Business Combinations – the amendments update a reference to the conceptual framework for financial reporting without changing the requirements for administrative recognition of business combinations.
- Annual improvements to IFRS Standards 2018-2020:
  - IFRS 1 First-Time Adoption of International Financial Reporting Standards
  - IFRS 9 Financial Instruments
  - IFRS 16 Leases
  - IAS 41 Agriculture

The following amendments to the existing standards have been approved by the IASB but will not take effect until 1 January 2023:

- Amendments to IAS 1 Presentation of Financial Statements - clarification of whether liabilities in the financial statements are to be classified as current or non-current and further clarification of which accounting policies should be disclosed in the financial statements.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - clarification of the difference between amendments to accounting policies and accounting estimates.
- Amendments to IAS 12 Income Taxes – the amendments limit the scope of the recognition exemption for deferred tax related to assets and liabilities from a single transaction with equal amounts of deductible and taxable temporary differences on initial recognition.

Aside from that, amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures have been approved, but an effective date has not yet been announced. The Group does not expect application of the amendments to have a material effect on the future consolidated financial statements and will not use the option to apply these amendments before they become effective.

F. IFRS accounting policy choices

Statement of cash flows

IFRS offers two options for the preparation of the statement of cash flows, the direct method and the indirect method. IFRS prefers the direct method and the Group does too, as the direct method provides the most accurate insight into actual cash flows. A reconciliation to the indirect method has been included in Note 29.

G. Critical accounting policies

G.1 Revenue

Performance obligation fulfilment

The Group recognises revenue when the buyer takes actual possession of the goods or the service has been provided, which is established based on the time of supply.

Nature of the goods and services

Most of the Group’s revenue is generated by its food service operations. On top of that, the Group generates limited revenue from commissions and services. The following will detail the nature of the goods from which the Group generates its revenue, specifying significant payment terms and when the relevant performance obligation will be considered to have been fulfilled:

Food service

Sligro’s food service companies in the Netherlands and Belgium offer a comprehensive range of food and food-related non-food products. Revenue from the sale of these goods is recognised at the agreed transaction price, exclusive of sales tax, factoring in volume bonuses, the value of loyalty programme benefits, and any other agreed variable elements. Agreed variable elements are recognised to the extent that a significant reversal in cumulatively recognised income is highly unlikely to occur in the future.

At the cash-and-carry outlets, revenue is achieved when customers pay for their purchases at the checkout, because this is when the buyer takes actual possession of the goods. If goods are delivered to the customer, the transfer of title takes places when the goods are physically handed over to the customer. Revenue also includes revenue generated through collaboration with fresh partners.

Revenue is measured based on the amount agreed with the buyer in a contract, excluding any amounts charged and collected for third parties. Payment terms differ per customer group. Customers generally have a right to return goods. This right has been included in the terms and conditions governing purchase agreements. Returns can be settled through a refund or replacement with another good, and result in a reverse of the revenue. As part of commercial arrangements, we may use signing fees or advance payment of bonuses, whereby the Group will be entitled to compensation for performance obligations not yet fulfilled. These are recognised as contract assets, which relate to revenue generated during the contract term and are debited from the revenue in evenly spread instalments over the full contract term.

Services

Services provided are primarily kitchen maintenance services, logistics services, commissions and other services. Revenue from the provision of services is recognised at the agreed transaction price, exclusive of sales tax, factoring in any other agreed variable elements.
Agreed variable elements are recognised to the extent that a significant reversal in cumulatively recognised income is unlikely to occur in the future. Revenue is recognised when actual possession is transferred to the buyer, which is normally when the service is provided and has, if required, been accepted. When the Group is involved in a transaction in the capacity of agent instead of principal, revenue recognised concerns commissions received by the Group. Commissions received by the Group on behalf of third parties are not recognised as revenue.

G.2 Cost of sales

This concerns the purchase value of goods supplied. Any bonuses received from suppliers, promotional benefits and discounts will be deducted from the purchase value. Two of the main forms of benefits received from suppliers are:

- Temporarily lower purchase prices, which are generally related to special offers to buyers, with a view to increasing the direct volume sold.

In most cases, the supplier immediately applies the lower purchase prices during the agreed period. Sometimes, however, a supplier charges the normal price and the Group bills the supplier for the discount based on the volume sold. The benefit obtained through lower purchase prices is immediately deducted from the purchase value and, therefore, constitutes (partial) compensation for the lower selling price charged to customers.

- Bonuses are generally based on agreements for the whole year, and mainly come in the form of a fixed percentage or graduated percentages of the purchase value of (the growth of) total purchases. In most cases, these are settled through interim advance payments. Except bonuses, promotional benefits are also negotiated in annual talks with suppliers. These kinds of arrangements with suppliers also involve all kinds of commercial partnerships. Promotional benefits are provided either as absolute figures or as graduated or fixed percentages of the purchase value. Bonuses which can be reasonably expected are included in the measurement of inventories. Promotional benefits cannot be included, because they are intended to cover sales efforts.

G.3 Goodwill and other intangible assets

Goodwill

All acquisitions are recognised in accordance with the acquisition method. Goodwill is the difference between the fair value of the purchase consideration payable, less the amount recognised (which is generally the fair value) for identifiable acquired assets and liabilities assumed. Goodwill relating to acquisitions before 28 December 2003 equals the value allocated to it based on past reporting rules. Goodwill is measured at cost, less, if applicable, cumulative impairments. Goodwill is allocated to cash-generating units. Goodwill is not amortised, but instead there is an annual impairment test, or an impairment test at any other time of the year when there are indications of impairment, by assessing the recoverable amount. The recoverable amount of the cash-generating units, i.e. the Netherlands and Belgium, is based on an enterprise value calculation and determined by calculating the net present value of estimated future cash flows generated through the continued use of these cash-generating units. For associates, the carrying amount of the goodwill is recognised in the value of the participation. When a cash-generating unit is sold, the carrying amount of the goodwill allocated to the cash-generating unit will be included in the measurement of the book profit or loss. Expenditure for internally generated goodwill is charged to the result directly.

Other intangible assets

All other intangible assets are measured at cost less linear amortisation over the estimated service life. For customer relationships, trademarks and places of business, the economic life is estimated. If there are indications of impairment, an impairment test is performed. Expenditure for internally generated trademarks is charged to the result directly.
Software developed by third parties is capitalised at cost. Both external and internal expenditure incurred for the design, building and testing of internally developed and configured software are capitalised, provided a number of criteria, including technical feasibility, are met. Costs relating to licence agreements and maintenance contracts incurred before the software that is to be configured is taken into use are capitalised. After it has been taken into use, these costs are only capitalised if they are inextricably linked to the capitalised software. If there are indications of impairment, an impairment test is performed. This applies both to software already in use and to software under development. Capitalised software is amortised over the estimated service life as per the linear method. The Group's current investments in SAP are estimated to have an economic life of 7 years.

The following amortisation percentages are used:

Customer relationships	5 - 20
Trademarks	5 - 7
Places of business	5 - 20
Software	14 - 100

G.4 Property, plant and equipment

Property, plant and equipment are measured at cost, less linear depreciation, based on an estimation of service life, taking any residual value into account. Attributable finance costs have been factored into the cost, provided that the effect can be considered material in terms of scope or term. If property, plant and equipment consist of components with different service lives, these will be recognised as separate items (component approach).

The depreciation term of refurbishments in rented property is capped at the term of the leases. If necessary, impairments are applied. Costs involved in construction and production work performed by our construction departments are allocated to the individual construction projects. These costs are capitalised and depreciated under property, plant and equipment as part of the 'company buildings' category.

The following depreciation percentages are used:

Land	Nil
Company buildings	3 - 12½
Machinery and equipment	12½ - 33⅓
Other	12½ - 33⅓

G.5 Right-of-use assets and lease liabilities

Leases under which the Group is the lessee

The lease portfolio contains property and other leases. The 'other leases' category covers company-leased vehicles, IT equipment, forklift trucks and machinery. When entering into a new contract, the Group assesses whether or not it can be considered to be a lease based on the economic benefits ensuing from the use of the assets and the control over the use of the asset. Contracts that are defined as a lease are recognised on the balance sheet under right-of-use assets and lease liabilities, except for leases with a lease term of up to 12 months and low-value leases, for which practical exceptions have been applied. Leases with an intrinsic term of less than 15 years and an option for renewal have been included for up to a maximum of 15 years in order to remain in keeping with the Group's strategic medium-term schedule.

The right-of-use assets are measured at cost, less cumulative depreciation and impairments, whereby the depreciation term is based on the term of the lease unless the projected service life of the asset is shorter than that. If necessary, impairments are applied.

The lease liability is initially measured on the basis of the present value of future cash flows, in which the discount rate is derived from the incremental borrowing rate[1)] following which the expired lease instalments are deducted. Non-lease components are not factored into the calculation of the lease liability. Lease liabilities are presented separately on the balance sheet. The lease liability is revalued upon indexation or revision of the lease, upon termination of the lease or upon renewal of the lease.
The Group has chosen to take advantage of the practical expedient of recognising rent concessions that take place as a direct consequence of the COVID-19 pandemic as if they were not rent adjustments. Cash flows from lease instalment payments for right-of-use assets are part of cash flows from financing activities, while cash flows relating to leases with a term of up to 12 months, low-value leases and non-lease components are recognised under cash flows from operating activities.

1) The interest rate at which the lessee would have been able to borrow the amount needed to purchase the asset with an equivalent term and equivalent security at the time of entering into the lease.

Leases under which the Group is the lessor

For subleases where the Group is the lessor, the master lease agreements and sublease are recognised separately, and an assessment is made based on risk and allocation of the consideration in case of sale whether the sublease is classified as a financial or an operating lease. For financial leases, the related right-of-use asset under the master lease agreement is removed from the balance sheet and replaced by the net investment in the sublease, which is recognised under non-current financial assets. The master lease agreement will in both cases continue to be recognised under lease liabilities.

H. Other accounting policies

H.1 Foreign currency

Commercial transactions in foreign currencies are converted at the exchange rate on the transaction date. Receivables and debts are converted at the exchange rate on the balance sheet date. Any resulting exchange differences are recognised in the profit or loss. Since the Group only has participations in the Netherlands and Belgium, it is not exposed to a currency risk. How derivatives are recognised is described in the following.

H.2 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise other non-current financial assets, trade and other receivables, other current assets, cash and cash equivalents, loans, trade and other payables, and other debts.

Impairment of financial assets

The Group applies the impairment model to financial assets measured at amortised cost and contract assets. To calculate the provision, the Group uses the simplified approach provided by IFRS 9 for trade receivables and contract assets. For the other non-current financial assets, other current assets and supplier bonuses asset items, the Group uses the general approach from IFRS 9.

H.3 Other operating income

This includes rental income from property and book profit or loss on property, plant and equipment, as well as similar income.

H.4 Costs in general

Costs are broken down into categories for specification. The same category structure is also used for internal purposes. Costs are allocated to the year to which they relate.

H.5 Employee benefits

Defined contribution plans

Liabilities relating to contributions to defined contribution pension plans are recognised in the statement of profit or loss as expenses as and when they are payable. This goes for virtually all of the Group's top-up and other plans, including plans for specific occupational groups, such as for fruit and vegetable specialists and butchers, who are enrolled in industry-wide pension funds. These plans qualify as defined contribution plans, because the Group only has to pay the premiums agreed and is, other than that, not exposed to actuarial and other risks over the past period of service.

Defined pension plans

The Group currently does not have any defined pension plans.

Long-term employee benefits

The Group's net liability on account of service anniversary benefits is the amount of the future benefits that are to be allocated to the professional performance of the employees over the reporting period and prior periods. This liability is calculated using the projected unit credit method and is discounted to the present value.

Share option rights

The current share option plan was revised in 2020. Share options are awarded on the condition of continuation of service. The fair value of share options is charged to the result over the term of the share option rights using the linear method. Profits on share options are paid out entirely in shares. These shares are subsequently locked up for a period of one year for employees and four years for Executive Board members. Share options are recognised entirely as equity settled. The locked-up shares are administered by Stichting Werknemersaandelen Sligro Food Group.

Government facilities in respect of employee expenses

Financial concessions from the government in connection with COVID-19 to compensate the payroll bill are deducted from the employee expenses.

H.6 Finance income and costs

This concerns interest payable to third parties and comparable costs, less interest receivable from customers for loans granted and/or deferred payments. Interest expenses on leases are also recognised under this item. Finance income and costs are recognised in the statement of profit or loss, unless these can be allocated directly to the acquisition, construction or production of an eligible asset. Calculation is based on the effective interest method.

H.7 Results of associates

This concerns the Group's share in the net result of associates and in income from the sale of associates' shares.

H.8 Income taxes

Taxes recognised in the statement of profit or loss concern income tax payable for the financial year, as well as movements in deferred taxation, unless these taxes relate to items that are included in shareholders' equity directly. Taxes payable for the financial year are the projected taxes payable on the taxable profit and also include corrections for taxes payable for prior years. The effective tax rate is affected by tax incentives and items that are not or only partly tax-deductible. The provision for deferred tax liabilities ensues from temporary differences between fiscal and financial accounting policies. No provisions have been created either for goodwill that is not tax-deductible, or for participations that qualify for the participation exemption. The provision is calculated at the tax rate as on the balance sheet date or at the rate that has already been decided on the balance sheet date.

H.9 Non-current financial assets

Associates are measured based on the equity method and are, upon initial recognition, measured at cost, including the goodwill established upon acquisition, but excluding acquisition expenses. The measurement will not be below nil, unless the Group is under an obligation to fully or partially make up losses, and/or has raised realistic expectations that it will do so. Unrealised results between entities within the Group are eliminated. Other non-current financial assets concern, among other things, subleases for property let by the Group. These leases are measured at the present value of the future cash flows. Aside from that, mainly interest-bearing loans to customers and loans to associates are recognised under other non-current financial assets. These are measured at amortised cost, less impairments.

H.10 Inventories

Inventories are measured at cost, calculated on a FIFO basis, or lower market value. The market value is the estimated sale value under normal circumstances, less selling costs. The measurement includes internal distribution costs, while bonuses are deducted.

H.11 Trade receivables and other current assets

Upon initial recognition, trade receivables are recognised at the transaction price and subsequently at amortised cost, less impairments. Impairments are determined based on the expected credit loss (ECL) model, as per IFRS 9. Debtors in major financial difficulty and accounts receivable where the due date of outstanding invoices has been exceeded significantly are classified as doubtful debts. For trade receivables from doubtful debts, a separate provision is created, without using the ECL model. If there is no reasonable expectation that doubtful debts will be paid, they are written off.

H.12 Assets held for sale and directly related liabilities

Assets are classified as 'held for sale' if it is highly likely that their carrying amount will be realised primarily through their sale and not through the continued use of these assets. Such assets are generally measured at the carrying amount or lower fair value less selling costs. Impairment losses on a group of assets and liabilities that are to be disposed of will initially be allocated to goodwill and subsequently to the remaining assets and liabilities on a pro rata basis, on the understanding that impairment losses will not be allocated to inventories, financial assets, deferred tax assets, assets under employee benefits or investment property, which will continue to be measured in accordance with the Group's other accounting policies. Impairments ensuing from the initial classification as 'held for sale' and gains or losses produced by revaluation after initial recognition are recognised in the result. Once they have been classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

H.13 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, as well as deposits, and are measured at their nominal value. Bank overdrafts that are repayable on demand and that are not an integral part of the Group's cash management, are part of the cash, cash equivalents, and short-term borrowings in the statement of cash flows.

H.14 Provisions

The provision for deferred tax liabilities is recognised at nominal value based on the rate at which the liability is expected to be settled and is detailed in the note to Income Taxes. The employee benefits provision is detailed in the note to Employee Benefits. The other non-current provisions concern existing liabilities for guarantee provisions estimated at the amounts that will probably be payable for them in the future, as well as the restructuring provision. A restructuring provision is recognised when the Group has approved a detailed and formalised restructuring plan and the restructuring has either already commenced or been announced publicly. If the effect is material, these provisions are calculated at net present value. Future operating losses are not expected.

H.15 Interest-bearing loans

Upon initial recognition, interest-bearing loans are measured at fair value, less attributable transaction costs. After that, they are measured at amortised cost based on the effective interest method.

H.16 Other liabilities and accruals and deferred income

Upon initial recognition, these are recognised at the transaction price and subsequently at amortised cost.

I. Consolidation principles

Subsidiaries are entities over which Sligro Food Group N.V. has dominant control. Subsidiaries are included in the consolidation in their entirety. Sligro Food Group N.V. is the holding company for the following wholly-owned subsidiaries:

Sligro Food Group International B.V., Veghel

- **Sligro Food Group Nederland B.V., Veghel**
- Bouter B.V., Zoetermeer
- Tintelingen B.V., 's-Hertogenbosch
- Exploitatiemaatschappij Wheere B.V., Amsterdam
    - Vroegop Ruhe & Co B.V., Amsterdam
        - L.A.J. Duncker B.V., Amsterdam
        - B.V. Levensmiddelengroothandel 'De Kweker', Amsterdam
        - Vroegop A.G.F. B.V., Amsterdam

- **Sligro Food Group Belgium N.V., Rotselaar**
- Océan Marée N.V., Anderlecht

The effectiveness of the Group's legal structure is assessed on an annual basis, whereby simplicity is the primary criterion. The subsidiaries Van Hoeckel B.V. and Sligro B.V. merged with Sligro Food Group Nederland B.V. in the 2021 financial year. The following four subsidiaries, which had ceased operating, were dissolved: Sligro BS Breda B.V., Sligro BS Deventer B.V., Sligro BS Maastricht B.V., and De Dis B.V.

Associates are entities where the Group has significant influence over the financial and operating policy, but over which the Group does not have control. The consolidated financial statements include the share in the comprehensive income of the associates based on the equity method. Subsidiaries and associates are included in the consolidated financial statements from the start date of control or significant influence and until the date on which such control or influence ends.

Intra-group items and any unrealised profits or losses on these transactions are eliminated upon preparation of the consolidated financial statements.

J. Segment reporting

The organisational structure of the Group mirrors its international ambitions. A distinction is made in the results between the segments in the Netherlands and Belgium. Segments are reported in line with internal reporting to the Chief Operating Decision Maker (CODM). The Executive Board has been identified as the highest-placed officer (CODM) and is responsible for the allocation of resources and the audit of the segments' performance. The internal reports and KPIs perfectly match the accounting policies used for the consolidated financial statements.

K. Earnings per share

The Group presents both basic and diluted earnings per share. Net earnings per ordinary share are calculated based on the dividend payable to the Group's shareholders, divided by the weighted average number of ordinary shares in issue during the reporting period. To calculate diluted earnings per share, the dividend payable to shareholders and the weighted average number of ordinary shares in issue during the reporting period are adjusted for the diluting effect that share options awarded to employees have on the ordinary shares.

L. Discontinued operations

Discontinued operations are a component of the Group's operations that involve activities and cash flows that are clearly distinguishable from the rest of the Group, and that:
- represent a separate significant operation or geographic business territory;
- are part of one coordinated plan to dispose of a separate significant operation or geographic territory; or
- are a subsidiary that was acquired exclusively for the purpose of being sold on.

Operations are classified as discontinued operations on the date of disposal or, if this is before that date, when the operations meet the criteria for classification as held for sale.

1. Acquisition, participation and disposal of operations

The beer and cider operations in De Kweker's delivery service were sold to Heineken in October 2020 for the sum of €1 million. The Group has not acquired or sold any operations over the current financial year.

2. Segment reporting

Our organisational structure mirrors our international ambitions. We now have a management team and local operations and sites in the two segments of the Netherlands and Belgium. These segments are defined on the basis of their geographical location, given the importance of maintaining relationships with customers and understanding local market conditions.

The Netherlands segment includes the cash-and-carry and delivery service operations under the trademarks Sligro, De Kweker and Van Hoeckel, as well as the specialist production companies for convenience SmitVis and Culivers, Bouter institutional kitchens, and Tintelingen Christmas gifts.

The Belgium segment includes the cash-and-carry and delivery service operations under the trademarks Sligro-ISPC and JAVA Food service.

The information used by the Executive Board to assess progress and make operational decisions is based on these segments. The Group submits a monthly financial report to the Executive Board and Supervisory Board. The Executive Board assesses the operating result based on this report, which contains primarily the consolidated and segment information with respect to the statement of profit or loss and related KPIs, the statement of cash flows, the balance sheet, and the working capital. The annual budget and forecasts are also made on the level of these segments and the Chief Operating Decision Maker allocates resources on this level.
The main performance indicator that the Group uses is EBIT. In this report, the local management teams disclose details of their segment's performance. The report is compiled based on the same accounting policies as the financial information in the financial statements.

Transactions between these segments are carried out at going market prices.

Segment reporting

x € million	Netherlands 2021	Netherlands 2020	Belgium 2021	Belgium 2020	Group 2021	Group 2020
Revenue[1]	**1,730**	**1,777**	**168**	**169**	**1,898**	**1,946**
Other operating income	7	4	0	0	7	4
Total income	**1,737**	**1,781**	**168**	**169**	**1,905**	**1,950**
Gross operating result (EBITDA)	**110**	**78**	**(1)**	**(3)**	**109**	**75**
Depreciation and amortisation[2]	(72)	(81)	(12)	(70)	(84)	(151)
Operating result (EBIT)	**38**	**(3)**	**(13)**	**(73)**	**25**	**(76)**
Finance income and costs	(7)	(8)	(0)	(1)	(7)	(9)
Share in the result of associates	8	7			8	7
Income taxes	(8)	1	2	7	(6)	8
Profit (loss) from continuing operations	**31**	**(3)**	**(11)**	**(67)**	**20**	**(70)**
Total assets	**1,131**	**1,086**	**102**	**112**	**1,233**	**1,198**
Segment liabilities	556	552	64	54	620	606
Non-allocated liabilities					613	592
Total liabilities					**1,233**	**1,198**
Net invested capital[3]	753	745	52	57	805	802
Net interest-bearing debts, provisions and associates					(352)	(370)
Group capital					**453**	**432**
Employee expenses	196	198	30	32	226	230
Employees[4] (FTEs)	3,450	3,569	525	547	3,975	4,116
Investments	48	62	1	3	49	65
Divestments	(2)	(49)	(0)	(3)	(2)	(52)
Cash flows						
Payments to the government[5]	(159)	(121)	(22)	(29)	(181)	(150)

1) Transfers between segments amounted to€33 million (2020: €17) from the Netherlands to Belgium.

2) Including impairments.

3) Less free cash.

4) A limited number of head office positions that perform activities Group-wide in the Netherlands.

5) Includes, besides tax and excise duties paid to the government, the payment of €28 million (2020: €19) received from the government under the NOW wage subsidy scheme in the Netherlands.

3. Revenue

Revenue is largely made up of deliveries of food and food-related non-food goods and services to institutional customers, the hospitality industry, company restaurants and other large-volume users in the Netherlands and Belgium. The breakdown of revenue by operations is as follows:

	Netherlands		Belgium		Group	
x € million	2021	2020	2021	2020	2021	2020
Deliveries of goods	1,703	1,751	168	169	1,871	1,920
Deliveries of services	27	26	0	0	27	26
	1,730	**1,777**	**168**	**169**	**1,898**	**1,946**

The Group does not have any customers that represent over 10% of revenue.

4. Other operating income

x € million	2021	2020
Rental income	1	1
Book result on sale of property, plant and equipment	4	2
Other non-recurring results	2	1
	7	**4**

Two business premises and a plot of land were sold in 2021, resulting in a book profit of €4 million. Within the partnership with Heineken, several administratively burdensome periodic payments were settled in one lump-sum payment this year, which led to one-off income of €2 million.

Book profit of €1 million from the sale of part of a building in Amersfoort was recognised under other non-recurring results in 2020. In addition, the delivery service site in Drachten was sold and leased back under a long-term contract. The selling price was €8 million higher than the carrying amount, of which €1 million is recognised as book profit on the sale of property, plant and equipment. The remaining €7 million will be recognised in the result during the term of the lease contract.

5. Employee-related items

5.A Employee expenses

Employee expenses break down as follows:

x € million	Notes	2021	2020
Salaries		165	170
Social security costs		28	30
Premiums for defined contribution plans		14	14
Share-based payments	5.C	1	1
Insourced staff and temporary agency workers		26	26
Other employee expenses		19	11
NOW wage subsidy scheme	5.D	(27)	(22)
		226	**230**

During 2018 and 2019, the Group committed to a restructuring plan that came on the back of the streamlining of the Group and the sale of food retail operations in the Netherlands. On balance, a provision of €1 million remained at year-end 2020 for payments that were made in 2021.

In 2020, plans were made and announced to terminate the Océan Marée operations in Belgium, for which provisions amounting to €2 million were formed at year-end 2020, mainly for employee redundancies, which were settled in 2021.

Movements in the restructuring provision can be shown as follows:

x € million	2021	2020
Opening balance	3	8
Additions	0	3
Withdrawals	(3)	(5)
Release	(0)	(3)
Closing balance	**0**	**3**

5.B Employee benefits provision

This provision relates to service anniversary schemes.

x € million	2021	2020
Opening balance	2	2
Benefits	(0)	(0)
Additions	0	0
Actuarial result (also result for financial year)	0	0
Closing balance	**2**	**2**

5.C Share-based payments (share option scheme)

Other employee expenses includes the costs for share option schemes. The Group runs two schemes under which share options are awarded to employees. The second scheme no longer applies to new allocations from 2020.

The target group for the first scheme is made up of roughly 50 people who are awarded four-year share options that are conditional on continuation of employment and cannot be exercised before the end of the four-year term. Share options are allocated to Sligro Food Group N.V. Executive Board members based on a calculation where the board members' average salary is divided by the strike price and the result is multiplied by a factor that depends on the development of the total shareholder return compared to a peer group and can be anywhere between 0% and 150%. The peer group composition is part of the scheme adopted by the General Meeting of Shareholders and has been published on the website. The peer group test led to a factor of 0% for 2021 (2020: 0%), which meant there was no allocation in 2021.

Depending on their job category, the other members of the target group receive 50% or 25% of the share options awarded to Executive Board members. No shares were allocated to these members in 2021. Any post-tax profits from the share option schemes must be used in full to purchase Sligro Food Group shares. Such shares will (once again) be locked up for four years for Executive Board members. For other participants, a lock-up term of one year applies to the shares purchased.

The target group for the second scheme is broader. For many years now, Sligro Food Group has had an equity participation plan for its employees in the Netherlands. Depending on the profits as a percentage of total Group revenue, employees receive a percentage of their gross pay, up to a maximum gross pay of €50,000, as their share in the company's profits. Up to 2019, this was paid out in the form of Sligro Food Group shares (50% of the profit share) and four-year share options conditional on continuation of employment which could not be exercised before the end of the four-year term (50% of the profit share). Any profits on options (after taxation) were paid out entirely in Sligro Food Group shares. These shares were subsequently (once again) locked up for one year. As of 2020, the scheme has been revised and profit sharing – assuming the prevailing criteria are met – will be awarded entirely in the form of shares, which will be locked up for a period of five years.

The strike price is the first ex-dividend price after allocation. The fair value of share options is charged to the result over the term of the share option rights using the linear method. These share options are recognised entirely as equity settled. To hedge this liability, shares are repurchased to cover a section of the share options in issue, based on a forecast using the Black-Scholes formula outlined below.

Movements in the number of share options outstanding were as follows:

x 1	2021	2020
Opening balance	1,015,071	1,431,586
Exercised	0	0
Redeemed	0	(7,449)
Lapsed	(217,642)	(263,523)
Voided on account of termination of employment	(31,244)	(145,543)
Granted	0	0
Closing balance	**766,185**	**1,015,071**

The share options allocated in 2017 have not been exercised and have therefore been voided, because the actual price on the strike date was lower than the strike price. No options were issued in 2020 and 2021.

Share options in issue at year-end 2021 break down as follows:

	Term	Strike price	Number
23 March 2018	1 April 2022	44.10	132,578
22 March 2019	1 April 2023	31.50	633,607

For the exact number of share options allocated to individual Executive Board members, please see Note 6.
Gross expenses ensuing from this scheme have been calculated by external specialists using the Black-Scholes pricing model and amount to €0.0 million for the allocation in March 2021 (2020: €0.0) over the full 4-year term. Costs recognised in 2021 relating to the current option series total €1 million (2020: €1).

5.D NOW and TWO wage subsidy schemes

In the Netherlands, the Group made use of the fourth and fifth period of the Dutch government's temporary wage subsidy scheme (NOW 3.2 and 3.3) in 2021. In 2020, the Group made use of the first and third period (NOW 1.0 and 3.1).

The wage subsidies from NOW 3.2 amounting to €18 million and from NOW 3.3 amounting to €9 million have been deducted from employee expenses.

Under the NOW 3.2 scheme, advance payments of €15 million were received as wage subsidies from January to March 2021 inclusive on the basis of the 49% drop in revenue for the period from January to March 2021 that was expected when the Group applied for the subsidies. Given that the actual drop in revenue was 47%, the Group expects to receive a further €3 million.

Under the NOW 3.3 scheme, advance payments of €10 million were received as wage subsidies from April to June 2021 inclusive on the basis of the expected 33% drop in revenue over the second quarter of 2021. Given that the actual drop in revenue came in at 25%, we expect to have to repay €1 million for this period.

While the amount recognised as NOW income is the management's best estimate based on the interpretation of the rules, this figure is still uncertain because the audit of the recognition has not yet been completed and it is, therefore, not yet the final figure.

In 2021, our application for a subsidy under the first period of the NOW wage subsidy scheme (NOW 1.0) was finalised and the final settlement was made, which did not result in any differences with respect to the position recognised in the 2020 financial statements. The final application for NOW 3.1-3.3 will be submitted in early 2022.

Movements in NOW wage subsidies still to be received, as recognised under Other current assets (Note 16), are as follows:

x € million	2021	2020
Opening balance	3	0
Wage subsidy calculated	27	22
Advance payments received	(28)	(19)
Settlement	2	0
Closing balance	**4**	**3**

In Belgium, the Group took advantage of the Belgian wage subsidy scheme TWO in 2021 as well, resulting in lower salary costs and social security expenses amounting to €2 million (2020: €4). This form of support sees the Belgian government pay part of the employee expenses directly to the employee. This means that, rather than a wage subsidy, this is a reduction of the salary costs and social security expenses.

6. Executive Board and Supervisory Board remuneration

The following provides an outline of how the remuneration policy has been put into practice over the past financial year. Members of the Executive Board and Supervisory Board are considered key Group staff members. Remuneration of Executive Board members in office in 2021 that was charged to the result amounted to €1,294 thousand (2020: €1,276).

The COVID-19 outbreak affected the Group's operations. In response to this and in compliance with the conditions for the NOW 3.1 wage subsidy scheme, the Executive Board decided not to take the short-term and long-term bonuses awarded to them for 2020. For the same reason and in line with the conditions attached to NOW 3.2 and 3.3, the Executive Board will not take its short-term and long-term bonuses for 2021.

The remuneration can be broken down as follows:

	Koen Slippens		Rob van der Sluijs		Total	
x €1,000	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Fixed pay	551	546	479	475	1,030	1,021
Short-term bonus	0	0	0	0	0	0
Long-term bonus	0	0	0	0	0	0
Pension premium and compensation	155	149	89	86	244	235
Value of options	0	0	0	0	0	0
Statutory social security costs	10	10	10	10	20	20
Total	**716**	**705**	**578**	**571**	**1,294**	**1,276**

There is one bonus scheme for the Executive Board that offers both a short-term cash bonus and a long-term bonus in the form of shares. The short-term and the long-term component of the variable remuneration are structured identically. Half of the variable remuneration depends on the extent to which the annual budgeted profit target set by the Supervisory Board has been achieved and the other half depends on specific, short-term targets set annually by the Supervisory Board on the recommendation of the Remuneration and Appointments Committee. The short-term and long-term bonuses are both awarded based on performance in the year in question, albeit that quality-related targets have a longer horizon, as they are linked to programmes that contribute to the company's long-term strategy and value creation. Bonuses are paid out in the following year.

When 100% of the 'at-target' level is met, a short-term bonus is paid out in cash, amounting to 30% of the fixed salary, as well as a long-term bonus of 30% of the fixed salary, which (after deduction of tax) must be used to purchase Sligro Food Group shares. These shares are locked up for a period of five years.

The budgeted profit target and other targets were set based partly on remuneration scenario analyses. Each 1.0% point by which the actual profit falls short of the profit target reduces both the short-term and long-term component of the bonus by 1.5% points. No bonus will be paid if the actual profit is below 90% of the target. Each percentage point by which the actual profit exceeds the profit target increases both the short-term and long-term component of the bonus by 0.5% point. Although there is no cap on the amount by which the target can be exceeded, there is a dampening effect.
The combination of ambitious targets, correction for excessive one-off items and the dampening mechanism when the target is exceeded has in the past never led to extensive exceeding (>10%) of the bonuses.

Quality targets have been set for 2021 for which the bonus percentage is determined proportionately on the basis of achieving:

1. ERP implementation: the first version of the new ERP landscape went live in Antwerp in 2021.
2. Corporate Social Responsibility: in preparation for the trend towards a more KPI-driven approach with externally audited performance, we will move in 2021 to uniform performance indicators and systems/methods for the Netherlands and Belgium.
3. Successful transformation of the fruit and vegetable proposition from a partnership model to in-house in the Netherlands and Belgium.
4. Progress on digital transformation in line with our annual plan, execution of the SO 4.0 plan for cash-and-carry and delivery service.

The value of the share options is determined by taking the number of share options allocated during the financial year and multiplying it by the value of each share option, as calculated using the formula specified in 5.C. Share and share option transactions are subject to rules to prevent insider trading, and share transactions are permitted only over a period of two weeks after publication of the annual figures, interim figures, and the shareholders' meeting, and only if there is no prior knowledge during that period.

Movements in Executive Board members' share and share option holdings break down as follows:

Shares

x 1	**Koen Slippens**	**Rob van der Sluijs**
Opening balance	107,402	12,000
Purchase		
Sale		
Closing balance	**107,402**	**12,000**

Options

x 1	**Koen Slippens**	**Rob van der Sluijs**
Opening balance	26,900	26,900
Lapsed	(5,800)	(5,800)
Granted		
Closing balance	**21,100**	**21,100**

The number of share options in issue as at the end of the financial year breaks down as follows:

Options

x 1	Strike price	Koen Slippens	Rob van der Sluijs
Valid through to 1 April 2023[1)]	31.50	21,100	21,100
Closing balance		**21,100**	**21,100**

In addition to the above, members of the Executive Board also receive an expense allowance, as well as a kilometre allowance for driving a private car for business purposes. The breakdown of these allowances is as follows:

x €1,000	Koen Slippens		Rob van der Sluijs	
	2021	**2020**	**2021**	**2020**
Expense allowance	8	8	8	8
Kilometre allowance	18	24	12	18

Executive Board and Supervisory Board remuneration is not charged to subsidiaries.

Supervisory Board remuneration

The annual remuneration for the chairman of the Supervisory Board amounted to €58 thousand (2020: €58), while the other members were paid €40 thousand (2020: €40). The remuneration for the member who stood down in 2021 was €23 thousand. Members also received compensation for attending Supervisory Board meetings amounting to €45 thousand (2020: €37). Chairman and member remuneration does not depend on the company's results. Total remuneration amounted to €246 thousand (2020: €255). Supervisory Board members are not awarded shares and/or share options. No loans, advances and/or guarantees have been granted to Executive Board and Supervisory Board members.

7. Audit fees

Recognised in the general and administrative expenses, fees paid for the audit of the financial statements totalled €986 thousand in 2021 (2020: €725). The fees for 2021 include an amount of €93 thousand in additional costs relating to the audit from the previous financial year

1) Valid until the date of the 1st ex-dividend listing following the General Meeting of Shareholders in which the financial statements for the past year are approved.

(2020: €nil). Other assurance-related services consist mainly of other activities, including audits for customer-related arrangements and the NOW[2] wage subsidy schemes, which the Group took advantage of in the Netherlands in 2020 and 2021. The auditor charged €157 thousand for this in 2021 (2020: €125). The auditing firm is not engaged for consulting services.

Audit fees break down as follows:

	2021		2020	
x € million	Deloitte Accountants B.V.	Deloitte network	Deloitte Accountants B.V.	Deloitte network
Audit of the parent company's financial statements	867		612	
Audit of subsidiaries		119		113
Subtotal of consolidated financial statements	**867**	**119**	**612**	**113**
Other assurance-related services	157		125	
	1,024	**119**	**737**	**113**

8. Finance income and costs

x € million	2021	2020
Finance income	**0**	**0**
Finance costs on leases	(4)	(4)
Finance costs on other financial liabilities	(3)	(5)
Finance costs	**(7)**	**(9)**

Finance income concerns income from loans granted to customers and late charges paid by customers, as well as interest on prepaid tax. Finance costs relating to other financial liabilities concern interest paid on loans and costs of amended loan contracts.

2) Temporary wage subsidy (NOW).

9. Taxation

9.A Taxation (income tax)

Contributing towards society by paying taxes in line with the (statutory) rules that we have all agreed on as a society is something we take extremely seriously and consider part of decency in business. Although we do use tax breaks and incentives, we neither take these practices to the limit, nor use tax avoidance routes through 'tax havens' to optimise our tax position. As we are now also operating in Belgium, we are looking into how to spread our taxable profit over the two countries in which we operate. The basic idea is to align the allocation of operating result (and the tax payable or receivable on it) with the responsibilities and relevant operations in each of the two countries. Budgeting and long-term planning are never driven by tax options either, and we always observe the intention of the relevant tax legislation. Aside from that, we make sure we stay up to date with the latest changes in tax laws and regulations and the correct application thereof by regularly consulting with and seeking advice from tax advisers.

Our aim is to have all our stakeholders see us as a company that adheres to the rules of decency in business, and we are more than happy to render account on our corporate social responsibility as and when asked, such as through meetings with investors or in presenting and explaining our figures to the works council. Tax is also a topic that is regularly addressed by the Executive Board and it is a fixture on the Audit Committee's agenda. The latter committee regularly checks tax advice and returns for compliance with Sligro Food Group's policy. Aside from that, the taxation item is not part of the KPIs that our company uses to monitor performance.

Where appropriate, we proactively engage with the relevant tax authorities. Since 2020, we in fact formalised this liaising with the tax authorities in the Netherlands in an Individual Monitoring Plan with the Dutch Tax and Customs Administration, which includes mutual agreements on how to ensure a transparent relationship. This plan furthermore includes specific arrangements on the efforts the company will go to in making tax controlling part of its overall control measures, which is something we are continuously working on. In doing so, we make use of the Group's Internal Control Framework and data analyses using samples to monitor correct application of tax legislation. Progress in this respect is monitored through regular meetings with the tax authorities, which includes a continued focus on making sure we pay our fair share of taxes and do not push the limits of tax legislation. The Individual Monitoring plan for 2022 was finalised in December 2021.

Although the concept of an Individual Monitoring Plan does not exist in Belgium, we are proactively engaging with the relevant bodies there as well, as we aim to avoid potential tax risks relating to our recently launched and acquired Belgian operations, while also building the kind of relationship with Belgian tax authorities that we already have with Dutch tax authorities.

The justification and definition of the transfer pricing method used is an integral part of our tax control practices. We therefore comply with current additional documentation obligations as part of country-by-country reporting and in submitting the group file and local file. Furthermore, the Group has reached an agreement with the Dutch and Belgian tax authorities about the transfer pricing method between Sligro Food Group Nederland B.V. and Sligro Food Group Belgium N.V. in the context of MLC (Multilateral Control) up to the end of the 2019 tax year. In anticipation of the BAPA (Bilateral Advanced Pricing Agreement) application submitted for 2020 and subsequent years, the Group applied the same mechanism in 2020 and 2021. We consider it highly likely that we will reach agreement in 2022 with the Dutch and Belgian tax authorities on the application submitted.

The Dutch and Belgian tax systems differ in how they treat the result in the financial statements and the result on which tax is payable/receivable. These differences arise partly as a result of the difference in the measurement of intangible assets, property, plant and equipment, right-of-use assets and lease liabilities, inventories, provisions, investment-related tax credits and amounts that are not or are only partly tax-deductible.

The taxation item in the statement of profit or loss can be explained as follows:

x € million	2021	2020
Payable (receivable) for financial year	7	(3)
Prior-year corrections	0	(1)
Liability (receivable) for financial year	**7**	**(4)**
Change in and release from deferred tax liabilities	(1)	(4)
Tax expense (income) from continuing operations	**6**	**(8)**

The tax expense per share is €0.14 (2020: income of €0.17)

9.B Effective tax rate

The effective tax rate can be explained as follows:

x € million	2021	2020
Pre-tax profit (loss)	**26**	**(78)**
Nominal tax rate (Netherlands 25.0%, Belgium 25.0%)	6	(19)
Prior-year corrections	1	(1)
Energy-saving investment and similar tax credits	(0)	(0)
Change from deferred tax liabilities	(0)	3
Untaxed results	0	10
Rate change	1	
Other, including tax breaks and non-deductible amounts, untaxed results of associates	(2)	(1)
Effective tax rate 23.0% (2020: 9.6%)	**6**	**(8)**

At the end of the financial year, we make an estimate for a number of tax-related items. When filing our tax returns, the actual outcomes may deviate from these estimates, causing (minor) inconsistencies. The subsequent corrections from prior years are recognised in the current financial year. The transfer pricing method agreed on and applied within the context of MLC and the BAPA led to the following tax netting between the segments in 2021:

x € million	Netherlands	Belgium	Group
Financial tax expense (income) for the financial year	(1)	7	6
Settlement as per transfer pricing method for 2016-2021	9	(9)	0
Tax expense (income) per segment	**8**	**(2)**	**6**

As part of our CSR agenda, we are investing in sustainable cooling and heating systems at our sites, for which we use the available tax subsidies.

The untaxed profits of associates relate to our share in our associates' result after tax, which qualify for the participation exemption. The other corrections concern mainly non-deductible expenditure for employee benefits, including our equity participation plan, and non-deductible consulting fees incurred in relation to acquisitions.

9.C Income tax receivables and payables

As at the financial year-end, the following items are recognised:

x € million	2021	2020
Receivables		1
Payables	(3)	(1)
Net closing balance	**(3)**	**0**

As at year-end 2021, all Dutch wholly-owned subsidiaries are included in the fiscal unity for corporation tax purposes, meaning that taxes are levied as if it concerned one single company. This also means that all companies in the fiscal unity are liable for the entity's tax debt. The closing balance relates to the financial year in question.

9.D Deferred tax assets and liabilities

As at the financial year-end, the following items are recognised:

x € million	2021	2020
Deferred tax assets		2
Deferred tax liabilities	(22)	(22)
Net closing balance	**(22)**	**(20)**

The deferred tax assets and liabilities can be broken down as follows:

	2021		2020	
x € million	Asset	Liability	Asset	Liability
Intangible assets		10		9
Property, plant and equipment		18		22
Right-of-use assets		51		54
Lease liabilities	57		60	
Inventories		0		1
Tax loss carryforward			6	
Closing balance	57	79	66	86
Net liability as at the end of the year		**22**		**20**

The deferred tax liabilities relate primarily to the recognition of intangible assets from acquisitions, right-of-use assets and related lease liabilities, and deviating measurement of property, for which fiscally specific rules are used. At year-end 2020, a deferred tax asset of €6 million was recognised under the tax loss carryforward item for loss compensation in Belgium, which was recouped in the Netherlands through the MLC outcomes in 2021. The amount recognised as the net liability as at financial year-end is based on the 2022 corporation tax rate of 25.8% in the Netherlands and 25.0% in Belgium.

Given that participations of over 5% in the equity of other companies qualify for the participation exemption, results and dividends are not taxed and/or are non-deductible. The difference in measurement of participations has, therefore, not been factored into the calculation of deferred tax liabilities.

Movements over the financial year were as follows:

x € million	2021	2020
Net liability as at the beginning of the year	20	26
Acquisitions released through profit or loss	(3)	(4)
Change during financial year	(1)	(4)
Prior-year change[1]	6	3
Transfer from/to liabilities relating directly to assets held for sale		(1)
Net liability as at the end of the year	**22**	**20**

There are losses on past acquisitions that have not been recognised on the balance sheet due to the uncertainty as to whether these can be offset. Assets and liabilities are offset per fiscal unity.

[1] The €6 million change in 2021 is the result of the agreed transfer pricing method in the context of MLC and the BAPA through to 2020.

10. Goodwill and other intangible assets

Movements in this item can be broken down as follows:

x € million	Goodwill	Other intangible assets			
		Places of business, customer relation-ships, trademarks and other	Software	Assets in progress	Total
Cost	168	180	52	27	259
Cumulative amortisation		(52)	(44)		(96)
Balance as at 28 December 2019	**168**	**128**	**8**	**27**	**163**
Investments			7	19	26
Divestments			0		0
Acquisitions					0
Transfers			6	(6)	0
Amortisation		(12)	(9)		(21)
Impairments	(43)	(18)	(1)		(19)
Total changes	(43)	(30)	3	13	(14)
Cost[1]	168	180	48	40	268
Cumulative amortisation and impairment[1]	(43)	(82)	(37)		(119)
Balance as at 31 December 2020	**125**	**98**	**11**	**40**	**149**
Investments			7	17	24
Divestments			(0)		(0)
Acquisitions					0
Transfers			4	(5)	(1)
Amortisation		(11)	(10)		(21)
Impairments and inefficiencies		(3)	(0)	(2)	(5)
Total changes	0	(14)	1	10	(3)
Cost	168	180	49	50	279
Cumulative amortisation and impairment	(43)	(96)	(37)		(133)
Balance as at 31 December 2021	**125**	**84**	**12**	**50**	**146**

[1] The cost and cumulative amortisation of software as at 31 December 2020 have been corrected compared to the 2020 financial statements for decommissioned assets with a carrying amount of nil.

Breakdown of intangible fixed assets by cash-generating units

The goodwill is distributed across the segments as follows:

Cash-generating unit

x € million	2021	2020
Netherlands	125	125
Belgium	0	0
Closing balance	**125**	**125**

The Group makes a distinction between two cash-generating units: the Netherlands and Belgium. Note 2 contains more details of the organisational structure and segments that these units are based on.

The assessment of the annual impairment testing results was threefold:

1. the annual assessment of the goodwill of cash-generating units in the Netherlands
2. the identified indication relating to the recoverable amount of the assets of the Belgium cash-generating unit and the associated impairment testing
3. the annual assessment of the corporate assets in progress, which are allocated to the net invested capital of the Netherlands and Belgium cash-generating units based on the 'revenue' allocation formula

The recoverable amount of the cash-generating units, i.e. the Netherlands and Belgium, is based on an enterprise value calculation and determined by calculating the net present value of estimated future cash flows generated through the continued use of these cash-generating units.

Given the impact of COVID-19 on the Group's revenue and result, the conclusion drawn on 30 June 2020 based on a recalculation of the recoverable amount was that the recoverable amount of the Belgium cash-generating unit was lower than the net invested capital and therefore an impairment loss of €60 million has been recognised, comprising €43 million in goodwill and €17 million in customer relations.
At year-end 2021, the recoverable amount of both cash-generating units, i.e. the Netherlands and Belgium, was reassessed, looking at whether, given the improved market conditions following the recovery after COVID-19, there could be reason to add to or partially reverse this impairment.

The going-concern assumption was used in measuring the assets. Given the Group's current liquidity and solvency, it sees no reason to assume that it will be unable to continue its operations in the foreseeable future. This assessment is based on the realised operating result (EBIT) for the Netherlands and Belgium in the past year, the 2022 budget for the Netherlands and Belgium, forecasts for the 2023-2026 period for the Netherlands and the 2023-2051 period for Belgium, and projections based on the terminal growth rate for the years beyond 2026 for the Netherlands and beyond 2051 for Belgium, which are based partly on empirical figures.

The Group has been operating in Belgium for a few years and is currently still busy developing its market position there. At the present stage, significant investments are being made and start-up losses are being incurred. In its expectations for the coming years, the Group assumes that revenue in Belgium will outgrow the market because the set-up is still in full swing. A significant improvement in the results is expected to appear over the coming years.

On account of the fact that Belgium is still in the set-up phase, the expectation is that this segment will need more than five years to reach a stable investment cash flow situation. This is why the management has, like in previous years, opted to use an extended forecast period of 30 years. Last year, the management estimated that the stable situation of EBITDA cash flow would be reached after six years. With the Group now one year further down the line in the set-up phase, the estimation is now that cash flow stability will be reached in five years. As a precaution, therefore, management assumes that EBITDA will remain at the same level over the years after 2026 and investments are based on empirical figures from operations in the Netherlands.

The assumptions underlying the calculation of the recoverable amount concern the discount rate and the terminal growth rate. Other key assumptions were: the average annual revenue growth, average improvement of the gross profit margin percentage compared to revenue and average improvement of the EBITDA percentage compared to revenue for the next five years.

The assumptions are the following:

Assumptions used at year-end 2021

As %	Netherlands 2022-2026	Belgium 2022-2026
Pre-tax discount rate	8.8	9.2
Terminal growth rate[1)]	0.1	0.1
Revenue growth	10.9	13.1
Gross profit percentage improvement (% point)	0.1	0.1
EBITDA percentage improvement (% point)	0.5	1.2
WACC	6.6	6.9

The pre-tax discount rate used is derived from the weighted average cost of capital (WACC). The WACC is calculated by a professional external party, using parameters based on the peer group and market data. Estimated EBIT growth is expressed as the compound annual growth rate as a percentage of revenue over the 5-year period covered by the projections used.

Given the uncertainty surrounding the development of COVID-19, we envisaged two possible scenarios for revenue and EBITDA development. Based on the government's easing of restrictions in January 2022 and expectations regarding the development of the Omicron variant, the Group has been as realistic as possible in its estimates. For the longer term, the Group assumes in both scenarios that revenue in Belgium will outgrow the market because of the opportunities offered by the Belgian market, the planned expansion of the logistics network, and the implementation of the new ERP landscape. However, COVID-19 has put a brake on growth. The base scenario is based on the assumption that, from the second quarter of 2022 onwards, operations will gradually pick up again to the Group's pre-COVID-19 levels. In the downward scenario, the assumption is that COVID-19 will continue to have an impact on revenue during the winter months of the coming two years, albeit to a gradually decreasing extent.

The conclusion drawn from this calculation is that, as at 31 December 2021, the recoverable amount of the Belgium cash-generating unit was lower than the net invested capital and therefore an impairment of €3 million has been recognised and allocated to the JAVA and Sligro-ISPC trademarks intangible assets.

The assumptions for the Belgium cash-generating unit are as follows:

Belgium segment - Assumptions used

As %	Base scenario	2021 Downward	2020 Used
Pre-tax discount rate	8.8	8.8	9.5
Terminal growth rate (after 2051)	0.1	0.1	0.0
Revenue growth 2022-2026	13.1	13.1	11.7
Revenue growth 2022-2024	18.2	17.2	13.4
Gross profit percentage improvement (% point)	0.1	0.1	0.2
EBITDA percentage improvement (% point)	1.2	1.2	2.2
WACC	6.9	6.9	7.1
Weighting of the scenario	75.0	25.0	100.0
Impairment (in millions of €)	(2)	(4)	

Expectations for the more distant future, as used in determining the recoverable amount, are positive, but we will closely monitor the key assumptions over the coming years, as well as the relationship between the net invested capital and the measurement of future cash flows.

The assumptions used are based on recent figures and plans for the coming year. Based on the expertise and experience from recent years, the Group deems these assumptions realistic.

The lower-than-projected revenue growth in 2021 and the COVID-19-related slowdown in revenue growth over the 2022-2024 period, the delay in the go-live of the ERP landscape, and the rise in net invested capital of the Belgium cash-generating unit are the main reasons behind the deviation from these assumptions, which led to an impairment.

1) After 2026 for the Netherlands and after 2051 for Belgium.

The places of business, customer relationships and trademarks can be broken down as follows:

x € million	2021	2020
Intangible assets relating to acquisitions		
Customer relationships	65	75
Places of business	13	14
Trademarks	6	9
	84	**98**
Intangible assets not relating to acquisitions		
Software	12	11
Assets in progress	50	40
	62	**51**
Closing balance	**146**	**149**

Software impairments

The €0 million impairment (2020: €1) concerns decommissioned software in relation to the new online platform that the Group has taken into use.

Assets in progress impairments and inefficiencies

The €2 million change in 'impairments and inefficiencies' (2020: €0) concerns inefficiencies in the development of the Group's new IT landscape caused primarily by COVID-19-related restrictions. These were measured by assessing whether certain investments will not be taken into use or whether inefficiencies occurred during implementation.

11. Property, plant and equipment

Movements in this item can be broken down as follows:

x € million	Land and buildings	Machinery and equipment	Other fixed operating assets	Assets in progress	Total
Cost	431	68	201	28	728
Cumulative depreciation	(164)	(48)	(154)		(366)
Balance as at 28 December 2019	**267**	**20**	**47**	**28**	**362**
Investments	19	3	16	1	39
Divestments	(48)	0	(1)	(3)	(52)
Acquisitions					0
Transfers	21	2	2	(25)	0
Depreciation	(18)	(7)	(23)		(48)
Impairments					0
Transfers from assets held for sale	(2)				(2)
Total changes	(28)	(2)	(6)	(27)	(63)
Cost	405	71	185	1	662
Cumulative depreciation	(166)	(53)	(144)	0	(363)
Balance as at 31 December 2020	**239**	**18**	**41**	**1**	**299**
Investments	6	3	3	13	25
Divestments	(2)		(0)		(2)
Acquisitions					0
Transfers	0	0	1	(1)	0
Depreciation	(16)	(5)	(19)		(40)
Impairments			(0)		(0)
Transfers to assets held for sale					0
Total changes	(12)	(2)	(15)	12	(17)
Cost	408	75	185	13	681
Cumulative depreciation	(181)	(59)	(159)		(399)
Balance as at 31 December 2021	**227**	**16**	**26**	**13**	**282**

Several material divestments were made in 2020, including the sale and lease back of delivery service sites in Maastricht, Breda, and Drachten. Two business premises and a plot of land were sold in 2021.

Assets in progress

The Group is constantly in the process of acquiring, expanding or improving cash-and-carry and delivery service sites. After completion of a project, assets in progress are transferred to the relevant property, plant and equipment categories.

Cash-and-carry outlets and distribution centres

The land and buildings item breaks down as follows:

x € million	2021	2020
Land	54	54
Buildings	108	114
Freehold land and buildings	**162**	**168**
Leasehold premises	2	3
Leasehold renovations/extensions	63	68
Leasehold improvements	**65**	**71**
Closing balance	**227**	**239**

The land covers a total surface of 639,000m² (2020: 685,000m²), of which 288,000m² is used for the central complex (2020: 288,000m²).

Breakdown of freehold buildings

	Number		GFA[1]		Carrying amount (x € million)	
	2021	2020	2021	2020	2021	2020
Cash-and-carry outlets	28	28	177	190	95	96
Delivery service sites	1	1	13	13	9	10
Production sites	2	2	10	10	5	5
Central complex	1	1	140	139	50	53
Decommissioned assets		2		13		1
Other	2	2	5	5	3	3
Year-end	**34**	**36**	**345**	**370**	**162**	**168**

[1] Gross floor area x 1000m².

12. Right-of-use assets and lease liabilities

Movements in right-of-use assets can be shown as follows:

x € million	Buildings	Other operating assets	Total
Cost	272	5	277
Cumulative depreciation	(100)	(1)	(101)
Balance as at 28 December 2019	**172**	**4**	**176**
Additions	44	1	45
Renewals	15	0	15
Terminations		(0)	(0)
Depreciation	(18)	(2)	(20)
Total changes	**41**	**(1)**	**40**
Cost	332	6	338
Cumulative depreciation	(119)	(3)	(122)
Balance as at 31 December 2020	**213**	**3**	**216**
Additions	0	1	1
Renewals	14	0	14
Terminations	(0)	(0)	(0)
Depreciation	(18)	(2)	(20)
Total changes	**(4)**	**(1)**	**(5)**
Cost	344	6	350
Cumulative depreciation	(135)	(4)	(139)
Balance as at 31 December 2021	**209**	**2**	**211**

The lease liabilities have the following term:

x € million	2021	2020
Non-current lease liabilities	214	218
Current lease liabilities	20	19
Closing balance	**234**	**237**

The total outflow of cash was:

x € million	2021	2020
Lease liabilities paid	23	23
Finance costs	4	4
Closing balance	**27**	**27**

The term of the contractual future lease liabilities that have been converted into cash is as follows:

x € million	2021	2020
Under one year	20	19
One to five years	77	75
Over five years	137	143
Contractual future lease liabilities	**234**	**237**

The statement of profit or loss contains the following items:

x € million	2021	2020
Finance costs under leases	(4)	(4)
Variable lease expenses not recognised as lease liabilities	(1)	(1)
Income from subleases	1	1
Costs of short-term lease contracts	(1)	(3)
Costs of low-value lease contracts	(1)	(1)
COVID-19-related rent concessions	0	0

In 2020 and 2021, the Group received a few hundred thousand euros in rent concessions in relation to the consequences of the COVID-19 pandemic. In line with IFRS 16, these concessions were taken directly through profit or loss.

The term of the contractual non-discounted future income from subleases is as follows:

x € million	2021	2020
Under one year	1	1
One to five years	2	1
Over five years	0	1
Contractual future income from subleases	**3**	**3**

Leases with an intrinsic term of less than 15 years and an option for renewal have been included for up to a maximum of 15 years. If the renewal option were to be extended by 5 years, this would result in an increase of both the right-to-use asset and the lease liability of approximately €26 million (2020: €22). The impact on EBIT and EBITDA is not material.

13. Investments in associates and other non-current financial assets

x € million	2021	2020
Associates	**55**	**54**
Other non-current financial assets		
Receivables from associates		2
Loans to customers	6	4
Financial subleases	1	2
Closing balance	**7**	**8**

Associates

The associates can be broken down as follows:

Ownership percentage as at year-end	2021	2020
O. Smeding & Zn. B.V.[1], Sint Annaparochie	49%	49%
M. Ruig & Zn. B.V., Oostzaan	25%	25%
G. Verhoeven Bakkerij B.V., Veldhoven	25%	25%
Slagerij Kaldenberg B.V., Herwijnen	33%	33%
Vemaro B.V., Venlo	40%	40%
Spar Holding B.V., Waalwijk	45%	45%
Coöperatie Inkoopvereniging Superunie B.A.[2], Beesd		

Measurement is based on associates' last-known figures. All participations held are of a strategic nature. Voting rights equal the percentage of the stake held.

Movements in associates were as follows:

x € million	2021	2020
Opening balance	54	50
Investments (divestments)		(0)
Transfers to assets held for sale	(2)	
Result	8	7
Dividend	(5)	(3)
Closing balance	**55**	**54**

The summarised financial details of the associates, based on 100% ownership, as presented in their most recent financial statements (i.e. 2020 and 2019 respectively):

	Spar Holding B.V.		Other associates[3]	
x € million	2021	2020	2021	2020
Assets	126	104	62	93
Liabilities	79	65	50	78
Shareholders' equity as at year-end	47	39	12	15
	2021	2020	2021	2020
Revenue	692	572	845	1,085
Profit (loss)	15	12	1	(0)

Other non-current financial assets

Loans to customers have an average term of several years and are generally granted at market rate, while some loans are granted interest-free.

14. Inventories

The inventories item breaks down as follows:

x € million	2021	2020
Central Distribution Centre Veghel	83	61
Sites	132	121
Packaging	7	5
Inventories in transit	4	1
Closing balance	**226**	**188**

The measurement of inventories includes a write-down of €5 million (2020: €6).

[1] The investment in Smeding & Zn. was transferred to Assets held for sale at the end of the year

[2] Concerns membership of procurement organisation

[3] Excluding the associate Smeding, which was transferred to Assets held for sale

15. Trade and other receivables

x € million	2021	2020
Accounts receivable	93	78
Suppliers	38	33
Closing balance	**131**	**111**

Receivables from suppliers concern bonuses, promotional benefits and outstanding credit notes. Details of the Group's exposure to credit and market risks and the age analysis for trade receivables are provided in Note 25.
The accounts receivable item includes a provision for doubtful debts of €6 million (2020: €7). This provision was made under IFRS 9 based on the model for calculation of the provision for expected credit losses. Given that the Group recognises supplier bonuses separately, these were not deducted in setting the provision for expected credit losses.
Our customers are under pressure due to the restrictions imposed by the government in connection with COVID-19. This was factored in when determining the risk and provision for doubtful debts.

Movements in this item were as follows:

x € million	2021	2020
Opening balance	7	5
Items written down	(1)	(0)
Added through profit or loss	0	2
Closing balance	**6**	**7**

16. Other current assets

x € million	2021	2020
Contract assets	4	5
NOW wage subsidy to be received	4	3
Other receivables and prepayments	28	22
Closing balance	**36**	**30**

Specific signing fees with customers are recognised under contract assets. Other receivables and prepayments concern, among other things, loans to employees and purchasing discounts for promotion periods that have already expired. The contract assets item includes a provision of €0 million (2020: €0).

The NOW wage subsidy still to be received comprises a receivable of €2 million under NOW 3.1 and of €3 million under NOW 3.2 and a repayable advance on NOW 3.3 of €1 million. Information on the NOW wage subsidy payment can be found in Note 5.D.

17. Cash and cash equivalents

x € million	2021	2020
Cash balances in transit	5	5
Free bank balances	7	8
Closing balance	**12**	**13**

18. Assets held for sale

Non-current assets held for sale

In 2021, one property in the Netherlands was first transferred from property, plant and equipment to assets held for sale and subsequently sold. In addition, a Dutch property recognised under assets held for sale at the start of the financial year was sold. This property had been transferred from property, plant and equipment in 2020.

Movements in this item were as follows:

x € million	2021	2020
Opening balance	2	0
Transfers from operations that will not be continued for the long term	2	2
Sales	(2)	
Closing balance	**2**	**2**

19. Shareholders' equity

Paid-up and called-up capital

The authorised share capital of €12,000,000 consists of 200,000,000 shares with a nominal value of €0.06 each. As at 31 December 2021, the number of shares in issue and paid up was 44,255,015 (2020: 44,255,015), representing capital of €2,655,300.90 (as at 31 December 2020: €2,655,300.90).

Movements in the number of shares outstanding were as follows:

x 1	2021	2020
Opening balance	44,143,415	44,108,415
Changes	27,000	35,000
Closing balance	**44,170,415**	**44,143,415**
Average number of shares in issue	44,161,415	44,131,748

All shareholders are entitled to dividend as announced from time to time, and they also have the right to cast one vote per share at the shareholders' meeting. The movement in shareholders' equity is specified in the Consolidated statement of changes in shareholders' equity.

Share premium

The following specifies amounts paid on shares above the nominal value.

Other reserves

An amount of €20 million (2020: €17) of this reserve is not distributable. This relates to the difference between the retained earnings calculated based on the parent company's accounting policies and the direct changes in equity as a result of revaluations of the participations on the one hand and the part thereof that the parent company could have distributed on the other.

Hedging reserve

This reserve is made up of the effective part of the cumulative net change in the fair value of the cash flow hedge on long-term borrowings. It was released in 2020 upon repayment of the related loan.

Treasury share reserve

This concerns the purchase value of 84,600 (2020: 111,600) shares repurchased as part of the share option scheme.

Undistributed profit/dividend

The dividend for 2020 was set at nil in the General Meeting of Shareholders held on 24 March 2021.
On 22 July 2021, the Executive Board announced, with approval from the Supervisory Board, that given the conditions of the NOW wage subsidy schemes of which the Group made use in 2021, the Group will not be paying a dividend for the 2021 calendar year. The total result for the 2021 financial year of €20 million will be added to the Other reserves. This proposal has not been recognised on the balance sheet and has no impact on income tax.

20. Earnings per share

x €1	2021	2020
Basic earnings (losses) per share	0.45	(1.59)
Diluted earnings (losses) per share	0.45	(1.58)

Share options allocated to employees with a strike price below the average price over the year are factored into the calculation of diluted earnings per share.

21. Other non-current provisions

x € million	2021	2020
Non-current	0	0
Current	0	3
Closing balance	**0**	**3**

The other non-current provisions relate to warranty obligations. The current provisions relate to a provision for restructuring costs formed by the Group. Further details on this provision and how it has developed are provided in Note 5.A.

22. Loans

x € million	Interest	Remaining term (years)	2021	2020
€30 million loan (Bullet)	1.33%	2	30	30
€40 million loan (Bullet)	1.67%	4	40	40
€70 million loan	Euribor + variable markup	3	40	40
€50 million loan	Euribor + variable markup	3	50	50
Loans			**160**	**160**
Short-term borrowings			1	18
Closing balance			**161**	**178**
Repayment obligations				
Within 1 year				
Between 1 and 5 years			160	160
After 5 years				
Closing balance			**160**	**160**

In April 2016, the Group took out a USPP loan, amounting to €30 million, with a term of 7 years and a fixed annual rate of interest of 1.33%. In September 2017, the Group took out a USPP loan, amounting to €40 million, with a term of 8 years and a fixed annual rate of interest of 1.67%.

In December 2020, the bank facility with Rabobank was revised and expanded. The revised facility has a ceiling of €70 million. The Group had already drawn down a €70 million loan under this facility in 2017. This loan has a remaining term of two years and interest on it is paid at a variable Euribor-linked rate of interest. Interim repayments of €30 million in total were made on this loan, putting the remaining debt at €40 million. The remainder will be repaid in full on the maturity date.

Furthermore, an acquisition loan of €50 million was taken out with Rabobank in 2019, with a 5-year term. Interest is paid on this loan at a variable Euribor-linked rate of interest. This sum will be repaid in full on the maturity date.

An acquisition bank facility was also negotiated in 2019. This is a non-committed facility with a ceiling of €200 million, which will be available to the Group for a period of five years. The interest rate is determined on the date of the drawdown. To date, the Group has not used this facility.

Short-term borrowings

As at year-end 2021, the Group has short-term credit facilities available totalling €166 million, of which an amount of €1 million was in use at the end of the financial year. Rabobank has extended the committed short-term credit facilities totalling €160 million to the end of 2022, with an option for an extension for another year. Collateral totalling €1 million and guarantees totalling €6 million have been provided for long-term and short-term borrowings from credit institutions.

The Group is required to determine the following ratios for its non-current liabilities and current credit facilities:

1. Based on the figures reported in the financial statements on 31 December 2021:

	Condition	Actual
Rabobank: Net interest-bearing debts/EBITDA	< 3.5	3.5
USPP: Net interest-bearing debts/EBITDA	< 3.0	3.5

2. Based on the adjusted figures, on 31 December 2021, not including application of IFRS 16.

The facilities' documentation states that, in the event of changes to the accounting rules that exceed the boundaries of the covenants, the report may be based on rules that were applicable before the change.

	Condition	Actual
Rabobank: Net interest-bearing debts/EBITDA	< 3.5	1.8
USPP: Net interest-bearing debts/EBITDA	< 3.0	1.8

The method 2 ratios agreed are met.

23. Other taxes and social security contributions

x € million	2021	2020
VAT, excise duties and waste management charge	16	22
Income tax and social security contributions	6	15
Pension premiums	0	0
Closing balance	**22**	**37**

The Group took advantage of the practical expedient offered by the Dutch government to defer taxation payments of €13 million in the fourth quarter of 2020. These deferred payments were settled in 2021.

24. Other liabilities, accruals and deferred income

x € million	2021	2020
Employees	21	20
Customer bonuses	18	14
Packaging	8	7
Other	34	28
Closing balance	**81**	**69**

Payables to employees includes liabilities for profit sharing, holiday pay and holiday leave.

25. Risk management

As part of its normal operations, the Group is exposed to a credit, liquidity and market risk (interest, currency and other market risk). The Group's policy and controls with respect to these risks have not changed compared to the previous year.

Credit risk

Part of the deliveries to customers as part of the food service operations are provided without guaranteed prepayment. The ensuing receivables are largely settled through European Business-to-Business Direct Debits. In a small number of cases, payment is initiated by the customer. The above direct debit method is not a payment tool that guarantees payment, as it is conditional on the customer having sufficient funds in the account. Given the great spread of customers and short payment terms, the credit risk on deliveries on credit is relatively small in the food service operations.

At year-end 2021, receivables from food service customers, as recognised under financial assets, amounted to approx. €6 million (2020: €4).

The credit risk the Group is exposed to, particularly in relation to receivables from food service customers, was reassessed in connection with COVID-19 developments.

The age of these debts can be broken down as follows:

x € million	2021	2020
< 1 month	74	67
1-3 months	19	9
3-12 months	0	2
> 12 months	0	0
Closing balance	**93**	**78**

At year-end 2021, the Group's receivables from suppliers amounted to €38 million (2020: €33). These receivables relate mainly to procurement-related annual arrangements that are paid out after the end of the year. By and large, the Group is able to offset these items against outstanding liabilities in case of non-payment by the supplier.

Expected credit loss calculation

The Group's portfolio of accounts receivable is made up of a large number of relatively small amounts. The Group uses a matrix to measure the ECLs of individual customers. Loss rates are calculated using a roll rate method based on the likelihood of a receivable progressing through the consecutive stages of delinquency having to be written off. Roll rates are calculated separately for exposures in Sligro's various operations, based on the following shared credit risk features – geographical area, length of the customer relationship and type of product purchased. For customers where it is clear that they are in major financial difficulty or where payment arrangements have been breached significantly, a specific provision is created to cover the potential loss. If there is no reasonable expectation that trade receivables will be paid, they will be written off.

The table below shows the age and ECLs for accounts receivable as at the end of the financial year:

x € million			2021
	Average weighted loss rate	Gross carrying amount	Expected credit loss
< 1 month	0.21%	74	0
1-3 months	1.01%	19	0
3-12 months	10.65%	0	0
> 12 months	109.32%	0	0
Doubtful debts	96.11%	6	6
Closing balance		**99**	**6**

x € million			2020
	Average weighted loss rate	Gross carrying amount	Expected credit loss
< 1 month	0.16%	67	0
1-3 months	1.29%	9	0
3-12 months	7.69%	2	0
> 12 months	70.65%	1	1
Doubtful debts	97.73%	6	6
Closing balance		**85**	**7**

Expected credit losses on contract assets, receivables from food service customers and suppliers are measured based on the general approach, factoring in the creditworthiness of the customers and suppliers in question, and amount to €1 million (2020: €1) as at the end of the year.

Liquidity risks

The Group aims to maintain sufficient liquidity (partly in the form of commitments from financial institutions) to be able to meet its financial liabilities at all times. The Group does so by, among other things, making relatively extensive use of medium to long-term credit facilities with spread repayment schedules to finance its business operations. Besides that, the availability of €161 million in short-term facilities is legally enforceable.

The following breaks down the financial liabilities, including estimated interest payments.

x € million	Non-current liabilities[1]	Current liabilities
< 1 year	2	382
1-5 years	163	
> 5 years		
Contractual cash flows	**165**	**382**
Carrying amount as at 31 December 2021	**160**	**382**

In 2020 and 2021, the Group took various temporary measures to mitigate the heightened liquidity risk as a result of the COVID-19 outbreak. See Note D. for details of and a reference to the measures taken.

Market risk (interest and currency risk)
Part of the risk of fluctuations in foreign currency exchange rates and interest rates is hedged using derivatives.

Interest rate risk
Note 22 explains the long-term financing and associated interest rate conditions.

Currency risk
The Group is exposed to a currency risk on procurement. The annual USD-denominated procurement volume amounts to approx. USD 14 million, with an average term of approximately two months. Hedge accounting is not applied to forward exchange contracts for procurement commitments. The currency impact is recognised in the cost of sales.

Capital management
The Group aims to make maximum use of its credit facilities for its financing, provided the associated covenants can be met comfortably. The Group does not have an explicit return objective with respect to the capital used. Instead, the Group targets average net profit growth that is at least on a par with the targeted average revenue growth.

Fair value
The carrying amount of financial instruments is virtually equal to the fair value. In terms of the measurement method, financial instruments recognised at fair value fall into 'level 2', meaning that measurement is based on inputs from a financial institution that are partly based on observable market data. Assets held for sale are also measured at fair value and fall into 'level 3' (own measurement method based on knowledge available at the Group, as explained under F in the accounting policies).

Sensitivity analyses
The following shows for a number of external factors how changes to these factors impact on the Group's pre-tax profit. The following table provides a simplified rundown of the results:

x € million	Percentage increase	Effect on pre-tax profit in € millions
Interest	1% point	(1)
Currency (USD)	1%	(0)
Wages	1%	(2)
Oil/energy	5%	(1)
Rents	5%	(1)

26. Investment liabilities

At year-end 2021, investment liabilities totalled approx. €9 million (2020: €7). This relates primarily to investments in our fresh produce distribution centre and ERP landscape.

27. Contingent liabilities

Claims
On 13 March 2020, the Group was informed of a claim made against the Group by the Jumbo & Coop consortium in relation to the transaction regarding the sale of EMTÉ in 2018. The consortium argues that, for the purposes of this transaction, an incorrect impression was given of EMTÉ's historical profitability, which led to the results after the acquisition failing to meet the consortium's expectations.

[1] Contractual cash flows are recognised at the swap price on the due date of the liabilities.

The Group rejected all the accusations. The consortium's statements lack any factual or legal basis. The Group has therefore made no provision for possible financial losses in the future. On 10 November, the Court of Amsterdam returned a ruling on the matter, dismissing all claims by Jumbo and Coop in full and ordering them to pay the costs involved in the proceedings. The Jumbo & Coop consortium has up to and including 10 February 2022 to appeal.

28. Estimates and judgements by the Executive Board

For a number of items in the financial statements, the Executive Board has made estimates. Although these are supported by analysis and calculations to the greatest degree possible, they always include some level of uncertainty, particularly in impairment testing on goodwill and other intangible assets. Historically, these estimates have not led to material misstatements.

Employee expenses

Note 5.D explains that there is still uncertainty over the exact amount of income from the NOW wage subsidy scheme, but that the management's best estimate is based on the interpretation of the rules of the scheme.

Goodwill and other intangible assets

Note 10 goes into the measurement of goodwill and intangible assets and the associated impairment testing. It also includes information about the measurement of software assets in progress and the associated impairment and inefficiency testing.

Credit, liquidity and other market risk

Note 25 contains information about these risks, including a sensitivity analysis.

Procurement and sales bonuses

Estimation of purchasing bonuses is based on a bottom-up calculation of purchasing volume and conditions on the one hand and based on inputs from our procurement association, Superunie, on the other. Customer bonuses are estimated based on sales combined with contractual arrangements with our customers.

Provision for obsolete inventories

When it comes to the inventory, an estimate is made of potentially obsolete inventory included in the inventory at year-end. For food, we also base this estimate in part on historical write-downs.
For non-food, we base this estimate on judgements made by our procurement and retail assortment managers in combination with an analysis of the turnover ratio of the available inventory.

The Executive Board makes judgements when measuring property, plant and equipment during preparation of the financial statements.

Property, plant and equipment and assets held for sale

The Group owns a relatively large number of properties that it uses for its operations, as well as assets held for sale. At year-end 2021, these items, excluding investments in rented property, amounted to approx. €165 million (2020: €183). This is based on the assumption that these properties will be continued to be used for the same purposes, unless these assets have been designated to be sold. Any changes to this assumption, such as in case of relocations, may prompt a downward revision of the measurement to a lower direct net realisable value. The net realisable value may also turn out to be higher than the carrying amount.

29. Statement of cash flows

The statement of cash flows has been prepared using what is known as the direct method. The statement of cash flows shows cash receipts and disbursements instead of income and expenditure. Acquisitions are recognised in the statement of cash flows at the purchase price, less cash and cash equivalents. Receipts from customers concern revenue inclusive of VAT and the change in receivables from customers. Payments to the government include both VAT and excise duty payments and payments of income tax, social security contributions and pension premiums, as well as the payment received under the NOW wage subsidy scheme. Income tax paid is recognised separately. The following statement shows the reconciliation of cash flow from business operations to the operating result:

x € million	2021	2020
Operating result	25	(76)
Amortisation and depreciation	81	89
Impairments	3	62
EBITDA	**109**	**75**
Other operating income included in cash flow from investing activities	(4)	(3)
	105	**72**
Movements in working capital and other changes:		
Inventories	(38)	40
Trade receivables and other current assets	(25)	126
Current liabilities	27	(141)
Provisions	0	0
Shareholders' equity		
	(36)	**25**
Net cash flow from business operations	**69**	**97**

The cash, cash equivalents and short-term borrowings item is reconciled to the balance sheet as follows:

x € million	2021	2020
Cash and cash equivalents	12	13
Short-term borrowings	(1)	(18)
Closing balance	**11**	**(5)**

Short-term borrowings are bank overdrafts which are due on call and are an integral part of the Group's cash management.

30. Related parties

In the fresh produce segment, the Group has struck up partnerships with and acquired participations in the fresh produce companies listed in Note 13. In 2021, these partnerships and participations represented a total procurement value of €151 million (2020: €163) at prices that were in line with market conditions. At year-end 2021, net trade payables to these companies amounted to €27 million (2020: €23). Given the nature of these payables, they are recognised under trade and other payables.

The Group has a 40% stake in Vemaro B.V. for tobacco products. Vemaro B.V. has also been granted a loan of €0 million (2020: €2). This item is recognised under other non-current financial assets. The Group furthermore guarantees Vemaro's receivables from certain customers without limits. At year-end 2021, net trade payables to Vemaro amounted to €5 million (2020: €7). Given the nature of these payables, this item is recognised under trade and other payables. The Group is a member of the Superunie procurement cooperative, which covers a significant part of the Group's procurement needs. In 2021, the procurement value amounted to €451 million (2020: €441). At year-end 2021, net trade payables amounted to €25 million (2020: €36). Given the nature of these payables, they are recognised under trade and other payables.

Please refer to Note 6 for details of the relationship with members of the Executive Board and members of the Supervisory Board. On balance, 30,000 shares in Sligro Food Group were bought in 2021 (2020: 35,000 bought) from Stichting Werknemersaandelen Sligro Food Group at the going market rate.

31. Supply Chain Finance

The Group has a Supply Chain Finance programme that offers participating suppliers the option to get credit to the amount of their invoices at participating banks at an interest rate of the 1-month Euribor rate plus 0.9% on an annual basis. At year-end 2021, the trade and other payables item included an amount of €58 million (2020: €55) relating to participating suppliers. Sligro Food Group receives a (small) consideration under this programme, which has been recognised under Other operating income.

Company statement of profit or loss

x € million

	2021	2020	2019
Finance income and costs	0	0	0
Net result from group companies	20	(70)	33
Pre-tax profit (loss)	**20**	**(70)**	**33**
Income taxes	0	0	0
Profit (loss) for the financial year	**20**	**(70)**	**33**

Company statement of financial position before profit distribution

x € million	31 December 2021	31 December 2020	28 December 2019
Assets			
Non-current financial assets	449	432	500
Total non-current assets	**449**	**432**	**500**
Receivables from group companies	4		
Total current assets	**4**		
Total assets	**453**	**432**	**500**

x € million	31 December 2021	31 December 2020	28 December 2019
Liabilities			
Paid-up and called-up capital	3	3	3
Share premium	31	31	31
Other reserves	379	451	420
Legal reserves	20	17	13
Undistributed profit (loss)	20	(70)	33
Total equity	**453**	**432**	**500**
Payables to group companies			0
Total current liabilities	**0**	**0**	**0**
Total liabilities	**453**	**432**	**500**

Notes to the company financial statements

General

Sligro Food Group N.V. is based in Veghel and registered with the Chamber of Commerce under number 160.45.002 and LEI code 724500YLB8OA6WK5CH48. The company financial statements were prepared in compliance with Title 9, Book 2 of the Dutch Civil Code based on the accounting policies specified in Section D of the summary of accounting policies, whereby group companies over which dominant control is exercised were measured based on net asset value, while applying the accounting policies of the consolidated financial statements.

Taxation

Sligro Food Group N.V. is the head of the Group's Dutch tax entity. The Group has opted to recognise the chosen tax positions at the level of the Group entity where agreements are entered into and transactions are concluded. This goes for both the transfer pricing method with Belgium, which was agreed by Sligro Food Group Nederland B.V., and the tax positions based on the Group entities' taxable results. This means that neither tax positions nor payable positions with the Dutch Tax and Customs Administration in the context of the transfer pricing method have been recognised in the company financial statements for Sligro Food Group N.V., because these are settled by Sligro Food Group Nederland B.V.

Non-current financial assets

x € million	2021	2020
Share in group companies	424	403
Receivables from group companies	25	29
Closing balance	**449**	**432**

Share in group companies

Movements in this item can be broken down as follows:

x € million	2021	2020
Opening balance	403	471
Result	20	(70)
Share-based payments		
Net result recognised directly in shareholders' equity		1
Change in treasury shares	1	1
Dividend		
Closing balance	**424**	**403**

Receivables from group companies

A loan granted with a total principal of €25 million and a term through to 1 January 2023 is recognised under this item. In 2020, a further €4 million with a term through to 1 January 2021 was recognised. The loan will be repaid in full on the maturity date and bears interest at an annual rate of 1%.

Shareholders' equity

Changes in shareholders' equity are detailed on Page 97. For further details on shareholders' equity, please see Note 19 to the consolidated financial statements.

The reserves in the company financial statements reconcile to the consolidated financial statements as follows:

x € million	2021	2020
Consolidated		
Other reserves	423	403
Treasury share reserve	(4)	(5)
	419	**398**
Company		
Other reserves	379	451
Legal reserves	20	17
Undistributed profit (loss)	20	(70)
	419	**398**

Other reserves

Movements in other reserves were as follows:

x € million	2021	2020
Opening balance	451	420
Result on previous reporting period	(70)	33
Change in legal reserves	(3)	(4)
Change in cash flow hedge		1
Change in treasury shares	1	1
Closing balance	**379**	**451**

Legal reserves

The legal reserves of €20 million (2020: €17) relate to the difference between the retained earnings calculated based on the parent company's accounting policies and the direct changes in equity as a result of revaluations of the participation on the one hand and the part thereof that the parent company could have distributed on the other. The legal reserves are determined on an individual basis.

Employee expenses and number of employees

Sligro Food Group N.V. has no employees. Its employee expenses are nil.

Proposed appropriation of profit

As explained in Note 19 the Executive Board, with the permission of the Supervisory Board, announced on 22 July 2021 that the total result for the 2021 financial year of €20 million would be added to the Other reserves.

Other notes

Contingent liabilities

Being the head of the Sligro Food Group N.V. tax entity, the company is liable for the tax liability of the fiscal unity as a whole.

The company has assumed joint and several liability for debts ensuing from the legal acts of its direct and indirect subsidiaries (Section 403, Book 2, Dutch Civil Code), as specified on Page 107.

As approved for publication, Veghel,

3 February 2022

The Supervisory Board	**The Executive Board**
Freek Rijna, Chairman	Koen Slippens, Chairman
Hans Kamps	Rob van der Sluijs
Pieter Boone	
Gert van de Weerdhof	

Other information

Independent auditor’s report

To the shareholders and the Supervisory Board of Sligro Food Group N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2021 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2021 of Sligro Food Group N.V. (the Group), based in Veghel. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at December 31, 2021, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Sligro Food Group N.V. as at December 31, 2021, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2021.
2. The following statements for 2021: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders’ equity and the consolidated statement of cash flows.
3. The notes to the consolidated financial statements comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company statement of financial position as at December 31, 2021.
2. The company statement of profit or loss for 2021.
3. The notes to the company financial statements comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Sligro Food Group N.V. in accordance with the EU regulation on specific requirements regarding statutory audits of public-interest entities, de Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 6 million (2020: € 3.3 million). The materiality is based on 5.5% of EBITDA and takes in to consideration incidental income and expenses. We also consider misstatements and/or possible misstatements which in our view could be qualitatively material for the users of the financial statements. For some elements in the financial statements, we have applied a lower materiality (e.g. Executive Board Remuneration), as in our opinion these elements are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that in addition to material misstatements which are identified during the audit, we would also report smaller misstatements that in our view are relevant for qualitative reasons.

Scope of the group audit

Sligro Food Group N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Sligro Food Group N.V.

Our group audit focused on the Dutch and Belgian activities of Sligro Food Group N.V. We performed audit procedures ourselves at all Dutch group entities of Sligro Food Group N.V. We used the work of Deloitte Belgium for the Belgian activities.

For both components we performed an audit of the financial information using the component materiality. We divided the group materiality over the Dutch and Belgian components based on professional judgement and qualitative factors. We have considered the relative size in relation to EBITDA and revenues of the Group. We have provided the Belgian component auditor with audit instructions and held several meetings with Belgian management and the Belgian audit teams during the planning, interim and year-end audit. We have also reviewed the audit files of, and the procedures performed by the component auditor.

By performing the aforementioned procedures at group and component entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Scope of fraud and non-compliance with laws and regulations within our audit

There is an increased focus on fraud and non-compliance with laws and regulations within the public debate. This section therefore describes the procedures that have been performed by us in relation to fraud and non-compliance with laws and regulations at Sligro Food Group N.V.
In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with law and regulation may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section Risk management of the management report for management's fraud risk assessment and the supervisory board report in which the supervisory board reflects on this fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

We considered available information and made enquiries of Executive Board, Audit Committee and Supervisory Board as well as other employees within the Group, including the legal counsel and head of the central purchasing department. We have not identified any signals of fraud which indicated a possible material misstatement due to fraud.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with the Executive Board and legal counsel, reading minutes and reports of internal audit. We involved our forensic specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Given the nature of the Group’s business and the complexity of laws and regulations, there is a risk of non-compliance with the requirements of such laws and regulations. In addition, we considered major laws and regulations applicable to listed companies.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Group's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to:

(i) inquiry of management, the Supervisory Board, the Executive Board and others within the Group as to whether the Group is in compliance with such laws and regulations; and
(ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Audit approach going concern

We refer to our key audit matter “impact of Covid-19” for a description of how we have responded to the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to events or conditions that may cast significant doubt on the entity's ability to maintain as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matters

1. Valuation of (in)tangible fixed assets cash generating unit Belgium

Description

Belgium is one out of two cash generating units of Sligro Food Group N.V. (hereafter: Sligro Food Group N.V. or Sligro).

The results in 2020 in Belgium were lower than expected, partially due to the effect of Covid-19. On June 30, 2020, as a result an impairment on Goodwill was recorded amounting to € 43 million. In addition, an impairment of € 17 million was recorded relating to customer relations. The ongoing impact of Covid-19 in 2021 resulted in a further slowdown in the targeted growth and cost optimization in Belgium. The remaining net investment as of December 31, 2021 amounts to € 59 million (before impairment). Based on the value-in-use calculation, the recoverable amount is € 56 million and it has been concluded that an impairment of € 3 million is required. This impairment has been fully allocated to the remaining intangible assets (brand names). In 2021, as in the previous year, there is an operating loss in Belgium.

The aforementioned resulted in us identifying the valuation of the (in)tangible assets of Belgium as a key audit matter.

The results of the value-in-use calculation that was used to value the cash generating unit was most sensitive to:

- Net sales growth;
- Gross profit margin;
- EBITDA margin;
- WACC.

How the key audit matter was addressed in the audit

Based on our materiality level, the requirements in IFRS and the applicable auditing standards, we have audited the impairment analysis in relation to the valuation of the (in)tangible assets of the Belgian segment. We have gained insight in the process and internal controls regarding this management estimate. We have mainly adopted a substantive audit approach and did not rely on internal controls.

Our audit procedures have mainly focused on:

- Obtaining and evaluating the reports from the external experts used by Sligro.
- Obtaining and evaluating the budget of 2022 that is approved by the Supervisory Board and the long-term forecast up to 2026.
- Assessment of the key assumptions in the impairment model and discuss the results thereof with management of the Belgian segment, the Executive Board and the Supervisory Board.
- Assessment of the management estimate in relation to the budget of prior years based on the actual financial results until 2021, taking in to account the impact of Covid-19;
- Assessment of the impairment model, the calculated WACC and the long-term growth percentage, using internal valuation experts.
- Evaluation of the reasonableness of growth assumptions based on back testing and inspection of external data sources, including market reports.
- Assessment of the anticipated improvement in gross margins in comparison to the realized gross margin in 2021, the expected improvement in the operations and purchase bonus conditions.
- Evaluation of the expected recovery after Covid-19 that was included in the forecast based on external expectations, including an evaluation of different scenario's. The uncertainty of the forecast due to Covid-19 has been disclosed by Sligro Food Group N.V. in disclosure note D and 12.
- The accuracy and completeness of the related disclosures in the annual report.

Observation

Based on the materiality level and our procedures performed, consisting of testing the design and implementation of internal controls as well as of substantive audit procedures, we concur with the estimates of the Executive Board.

2. Impact of Covid-19

Description

Covid-19 had a significant impact on the financial year 2021 of Sligro Food Group N.V. The impact can be summarized as follows:

- **Government grants and support**

The Dutch and Belgian government have supported Sligro Food Group N.V. with the partial payment of personnel expenses. In the Netherlands, the grant in relation to the tijdelijke Noodmaatregel Overbrugging Werkgelegenheid (NOW) in 2021 amounted to € 27 million, which was recorded as a credit in other personnel expenses. In Belgium, the government took over payment of a portion of the salaries and social securities, which resulted in a decrease of € 2 million of personnel expenses during 2021.

- **Financing**

Covid-19 also negatively impacted EBITDA and free cash flow in 2021 compared to a pre-Covid year. Compared to 2020, the Net Debt/EBITDA ratio per December 31, 2021 has improved from 2.8 to 1.8. In 2021, Sligro Food Group N.V. has no longer requested an extension of the covenants and therefore Sligro must also comply with the original covenants in 2022 as included in the financing agreements. In the event of non-compliance with the covenants, the financiers have the option of immediately claiming the outstanding funds. To ensure liquidity, Sligro has increased an uncommitted facility from EUR 60 million to EUR 100 million and subsequently converted it to committed until December 31, 2022 with an option to extend before 2023.

How the key audit matter was addressed in the audit

Government grants and assistance:
The following procedures were performed in relation to the Dutch NOW grant:

- Assess whether Sligro meets the subsidy requirements of NOW 3.1, 3.2 and 3.3. The audit of the subsidy granted for NOW 3.1, 3.2 and 3.3 has not yet been completed by us as of February 3, 2022. In note 5d of the financial statements, Sligro has explained how it has accounted for the government subsidy under the Tijdelijke Noodmaatregel Overbrugging voor behoud van Werkgelegenheid (NOW). Because the subsidy for NOW 3.1, 3.2 and 3.3 has not yet been definitively determined, the recognized amount is based on an estimate of the current interpretation of the NOW conditions. Our opinion is not modified as a result of this matter.
- Assessment of the final grant and settlement of the NOW 1.0.

The government assistance in Belgium was addressed as follows:

- Evaluation of the estimated savings by Sligro that resulted from this arrangement.
- Verification of compliance by Sligro (Belgium) with the requirements set out in the TWO.

Financing:
We have performed the following audit procedures in relation to the assessment of the impact of Covid-19 on the financing of Sligro Food Group N.V.:

- Obtaining and evaluating the most recent agreements with the financing parties on the covenants and other relevant loan conditions including the available liquidity.
- Obtaining and evaluating the going concern analysis that includes an analysis of compliance with the financing conditions during the forecasted period.
- Evaluation of the process of Sligro Food Group N.V. on preparing the going concern analysis.
- Inquiry of representatives of the Executive Board and the Supervisory Board of Sligro Food Group N.V., including a discussion on the covenants and various scenarios in 2022 that could occur.
- Evaluation of the forecast relating to revenues, profit before tax and liquidity, including the assumptions and different scenarios, including testing these scenarios based on our own independently developed scenarios relating to the recovery of Covid-19 and the related disclosure note.

Observation

Based on the materiality level and our procedures performed we concur with the estimates of the Executive Board in relation to the valuation of the mentioned assets and the government grants and assistance. Please note, that in our opinion there is a degree of uncertainty with regard to the estimates as mentioned above. However, based on our work performed we did not note material deviations.

In relation to the financing we concur with management's analysis, which includes the compliance of loan covenants for the coming 12 months following the date of our audit report. Covid-19 will remain a source of uncertainty for Sligro Food Group N.V. in the coming months. This uncertainty has been disclosed in disclosure note D – Going concern.

3. Bonuses and promotional contributions

Description

Suppliers' bonuses and promotional contributions are regular business practices in the sector. The contributions will be realized by the own purchases of Sligro Food Group N.V. and additionally through purchasing combinations. The contributions from own purchasing are made by consultation between buyers of Sligro and sellers from suppliers. The share of supplier bonuses and promotional contributions to Sligro Food Group N.V.'s profit before tax is substantial. The final agreements with the suppliers on these contributions are mostly concluded in the year following the year of reporting. This leads to a management estimate in the financial statements. The Company discloses the relevant accounting policies in Note G.2 of the consolidated financial statements.

Sligro Food Group N.V. received various types of compensation from suppliers, which can be divided into 2 main categories:

i. Temporary price reductions ("promotions"), usually relating to special offers to customers with the aim of increasing direct sales volumes. In most cases, the supplier actually charges the lower purchase price for the agreed period. The benefit of the temporarily lower purchase prices is reflected directly in the cost of sales. Promotions are not included in the inventory valuation.
ii. Bonuses, usually based on contractual agreements dependent on purchase volumes and payment history ("bonuses"). Reasonably foreseeable bonuses are included in the valuation of inventory.

The estimate in the financial statements is mainly related to the second type of suppliers' bonuses and promotional contributions. Management makes use of a tool to estimate the total bonus amount with a bottom-up method, based on the purchases of the Group and the applicable contractual bonus conditions. The actual bonus that was received in 2021 over 2020 exceeded prior year's estimate by 0.4%.

How the key audit matter was addressed in the audit

Our audit focused on testing both the design and implementation of the internal control measures on behalf of the Executive Board focused on the accurate and complete recording of the bonuses and promotional contributions (including the basis for the estimate, segregation of duties between the Purchase department and bonus accounting, direct and indirect involvement of managers of Sligro Food Group N.V., internal reviews, contract management and authorizations). Our forensic experts were involved in obtaining an understanding of the entity, including the participation of interviews held with employees of the purchasing department.

Additionally, closely involving our forensic experts, we performed a number of substantive procedures focused on the accuracy and completeness of the recorded amounts. These procedures can be summarized as follows:

- Audit of the subsequent receipt of the bonus estimate of 2020 in 2021 and an analysis on the differences.
- Obtaining external supplier confirmations in relation to the bonus conditions and the prepaid bonuses on a sample basis.
- Detailed procedures on the forecasting tool by substantiating the estimate based on the contractual terms and the actual purchases during the year.
- Detailed procedures on the manual refinement of the estimate that resulted from the bonus estimation tool.
- Bonus calculation with focus on the relationship between revenues and receipts during the year and receivables at the end of the year.
- Assessment of realized condition-improvement or deterioration at supplier level and buyer level.

Based on historical figures, test of details and analytical procedures we have audited the impact on the inventory valuation of the classification of contributions as promotions of bonuses.

Observation

Based on the materiality level and our procedures performed, consisting of testing the design and implementation of internal controls as well as of substantive audit procedures, we concur with the estimates of the Executive Board. Please note, that in our opinion there is a degree of uncertainty with regard to the estimates as mentioned above. However, based on our work performed we did not note material deviations.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Executive Board Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.
- Other information, not belonging to the annual report.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the Executive Board Report and the other information, in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board as auditor of Sligro Food Group N.V. on March 19, 2014, as of the audit for the year 2014 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

European Single Electronic Format (ESEF)

Sligro Food Group N.V. has prepared its annual report in ESEF. The requirements for this are laid down in the Delegated Regulation (EU) 2019/815 with regulatory technical standards for the specification of a uniform electronic reporting format (hereinafter: the RTS for ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially marked consolidated financial statements as included by Sligro Food Group N.V. in the reporting set, complies in all material aspects with the RTS for ESEF.

The Executive Board is responsible for preparing the annual report including the financial statements in accordance with the RTS for ESEF, whereby the board combines the different parts into a single reporting set.

It is our responsibility to obtain, in our opinion, reasonable assurance that the annual report in this reporting set complies with the RTS for ESEF.

With due observance of NBA Alert 43, our activities included:

- Gaining insight into the entity's financial reporting process, including preparing the reporting set;
- Obtaining the reporting set and performing validations to determine whether the reporting set with the Inline XBRL instance document contained therein and the XBRL extension taxonomy files have been prepared in accordance with the technical specifications as included in the RTS for ESEF;
- Examining the information relating to the consolidated financial statements in the reporting set to determine whether all required markings have been applied and whether they are in accordance with the RTS for ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, February 3, 2022

Deloitte Accountants B.V.

drs. A.J. Heitink RA

Profit distribution policy in the articles of association

Article 46 of the articles of association stipulates as follows on dividends and reserves:

1) The company can only pay dividend to shareholders and other entitled parties from profits eligible for distribution to the extent that its shareholders' equity exceeds the amount of the paid-up and called-up part of the equity plus reserves that have to be maintained by law or under the articles of association.
2) The Executive Board is authorised to allocate all or part of the profits to the reserves, albeit only with the Supervisory Board's consent. The general meeting of shareholders can reverse such an allocation to the reserves by a two-thirds majority vote at a meeting where over half of the issued share capital is represented.
3) Any profits remaining after the aforementioned allocation to the reserves will be available to the general meeting of shareholders to distribute.
4) If the general meeting of shareholders does not decide to pay out the remaining profits for any financial year, these profits will be added to the reserves.
5) The Executive Board can, albeit only with the Supervisory Board's consent, decide to pay interim dividend, provided the requirement specified in paragraph 1 of this article is met and it is justified by an interim statement of assets and liabilities as specified in Section 2:105, subsection 4, of the Dutch Civil Code. The company shall make such a statement of assets and liabilities available at its offices for inspection within eight days of the announcement of the decision to pay interim dividend. The payment of interim dividend is also subject to paragraph 9 of this article.
6) The general meeting of shareholders can, following a proposal submitted by the Executive Board, opt for profit distribution from a distributable reserve, albeit only with the Supervisory Board's consent.
7) The general meeting of shareholders can, following a proposal submitted by the Executive Board, decide to distribute profits in the form of shares in the company, albeit only with the Supervisory Board's consent. Such distribution shall be without prejudice to share issue stipulations in these articles of association.
8) Dividends will be paid at the time and place defined by the general meeting of shareholders, albeit no later than one month after the relevant decision adopted by the general meeting of shareholders.
9) Dividends that have not been claimed within five years of the date on which they became payable will expire and revert to the company.
10) A deficit may be offset against the statutory reserves only to the extent permitted by law.

Other information

Five-year overview

x € million[1]	2021	2020	2019	2018	2017
Result					
Revenue	1,898	1,946	2,395	2,346	2,142
EBITDA	109	75	127	114	144
EBITA	49	7	66	73	110
EBIT	25	(76)	44	53	91
Profit (loss) from continuing operations	20	(70)	34	46	76
Net cash flow from operating activities	73	101	132	45	172
Free cash flow	15	67	38	102	98
Dividend proposed	-	-	24	62	62
Equity					
Shareholders' equity	453	432	500	537	651
Net invested capital[2][3]	805	802	902	675	779
Net interest-bearing debts[3]	382	402	424	162	146
Total equity	1,233	1,198	1,455	1,214	1,347
Employees					
Annual average (full-time)	3,975	4,116	4,100	4,056	3,995
Workforce male/female ratio[4]	71/29	71/29	74/26	74/26	58/42
Management teams male/female ratio[4]	70/30				
Executive Board male/female ratio[4]	100/0	100/0	100/0	100/0	100/0
Supervisory Board male/female ratio[4]	100/0	80/20	80/20	80/20	80/20
Employee expenses[5]	211	219	218	209	177

[1] If changes to the accounting system have been implemented, only the figures from the previous year that are shown in the main table have been recalculated. The IFRS 16 accounting policy change is applicable from 2019 onwards.

[2] Excluding associates.

[3] Inclusive of IFRS 16 Leases from 2019.

[4] The definition was changed as of 2020 from the average ratio over the year to the ratio at the end of the year.

[5] Salaries, social security costs, and pension costs.

[6] Data based on StakeholderWatch, including Belgium as from 2021.

[7] In property, plant and equipment, assets held for sale, and software (on a transaction basis).

[8] Excluding depreciation of right-of-use assets.

[9] Excluding IFRS 16 Leases.

	2021	2020	2019	2018	2017
Corporate Social Responsibility					
Carbon reduction since 2010 as %	19.5	22.7	27.7	20.9	20.1
Sustainable product range as % of revenue	11.2	10.8	11.6	10.0	8.7
Customer satisfaction[6]	69	73	73	75	
Employee satisfaction[6]	62	63	56	57	
Supplier satisfaction[6]	66	63	67	63	
Investments					
Net investments[7]	47	13	85	74	59
Depreciation and amortisation[8]	(49)	(58)	(54)	(50)	(45)
Ratios					
Revenue growth as %	(2.5)	(18.7)	2.1	9.5	7.9
Profit growth as %	128.5	(304.3)	(25.3)	(39.6)	9.2
Gross profit as % of revenue	26.3	24.0	24.4	24.1	23.1
EBITDA as % of revenue	5.8	3.9	5.3	4.9	6.7
EBITA as % of revenue	2.6	0.4	2.8	3.1	5.1
EBIT as % of revenue	1.3	(3.9)	1.8	2.2	4.3
Profit as % of revenue	1.1	(3.6)	1.4	2.0	3.5
Net profit as % of average shareholders' equity	4.5	(15.0)	6.4	7.7	12.1
EBIT as % of average net invested capital	3.1	(8.9)	5.0	7.2	12.6
Net interest-bearing debts/EBITDA[9] as %	1.8	2.8	2.2	1.4	1.0
Shareholders' equity as % of total equity	36.7	36.0	34.3	44.2	48.3
Revenue per employee (x €1,000)	477	473	584	578	536
Employee expenses per employee (x €1,000)	53	53	53	51	44

Details per share with nominal value of €0.06

x €1	2021	2020	2019	2018	2017
Number of shares in issue (x million)	44.2	44.1	44.1	44.1	44.0
Shareholders' equity	10.25	9.78	11.33	12.16	14.80
Profit (loss)	0.45	(1.59)	0.78	1.04	1.73
Dividend proposed	-	-	0.55	1.40	1.40

Profile

Sligro Food Group consists of companies that specifically focus on the food service market in the Netherlands and Belgium by offering a comprehensive range of food and food-related non-food products and services in the wholesale market.

Netherlands
In the Netherlands, we are the market leader and operate a nationwide network of Sligro cash-and-carry and delivery service wholesale outlets serving large and small-scale companies in the hospitality industry, leisure facilities, caterers, large-volume users, company restaurants, petrol stations, small and medium-sized enterprises, small retail businesses, and the institutional market. Van Hoekel focuses specifically on the institutional market, while Sligro serves all the other segments. In the Amsterdam region, we are active with the "De Kweker" cash-and-carry formula. In a long-term strategic partnership with Heineken, Sligro is responsible for the exclusive distribution of Heineken keg beer in the Netherlands. Sligro/De Kweker and Van Hoeckel each have a dedicated commercial organisation focusing on their specific markets, while they make operational use of joint delivery and other shared networks and the back-office organisation.

Belgium
In Belgium, JAVA Foodservice, based in Rotselaar, focuses primarily on the institutional, corporate catering and hotel chain market segments within the Belgian food service market. Sligro-ISPC supplies high-quality, innovative food and food-related non-food products and services to culinary professionals, the rest of the hospitality market, wholesale customers and small and medium-sized enterprises. Sligro-ISPC operates combined cash-and-carry and wholesale delivery service outlets in Antwerp, Ghent and Liege. Sligro-ISPC and JAVA Foodservice both have their own commercial organisations and make increasing use of a common delivery structure and shared services.

Sligro Food Group has its own production facilities for specialist convenience products (Culivers) and fresh fish (SmitVis). The company also sources meat, game and poultry, fruit and vegetables, and bread and pastries through its participations in fresh partners, which serve both the Dutch and Belgian market. Sligro Food Group has two specialist companies: Bouter for advertising, design, delivery, installation and maintenance of professional kitchens, kitchen equipment and refrigeration and freezing equipment. Tintelingen is our business unit for online gift concepts and Christmas gifts. Sligro also sells traditional Christmas hampers.

We offer our customers a selection of around 78,000 food and food-related non-food items, together with numerous services to support our customers' businesses and help them to advance. Most of the procurement for specific food service products is handled directly through the Sligro Food Group, although a portion is arranged through CIV Superunie BA.

Sligro Food Group companies actively seek to share knowledge and make good use of the extensive scope for synergy and economies of scale on a national and international level. Activities that are primarily customer-related are carried out separately in each country and business unit. By combining our central procurement with direct, meticulous category and margin management, we aim to continuously improve our gross margins and offer our customers a unique and innovative product range. Operating expenses are kept under control by having an integrated supply chain and through our constant focus on cost control. Centralised management of our IT landscape, centralised design and control of master data management, and centralised talent and management development all work to further enhance group synergy.

Sligro Food Group strives to be a high-quality business for all its stakeholders that constantly grows in a controlled manner. Sligro Food Group shares are listed on Euronext Amsterdam. The Group's head office is located in Veghel, Netherlands.

Key dates

Agenda

Scheduled press releases will be published at 7.30 a.m.

5 January 2022	2021 annual revenue
3 February 2022	2021 annual figures
3 February 2022	Press conference, 11.00 a.m.
3 February 2022	Analysts' meeting, 1.30 p.m.
3 February 2022	Publication of the annual report
23 March 2022	General Meeting of Shareholders for 2021 at the company's offices, 10.30 a.m.
21 April 2022	First-quarter trading update
21 July 2022	2022 half-year figures
21 July 2022	Analysts' meeting, 1.30 p.m.
20 October 2022	Third-quarter trading update

4 January 2023	2022 annual revenue
2 February 2023	2022 annual figures
2 February 2023	Press conference, 11.00 a.m.
2 February 2023	Analysts' meeting, 1.30 p.m.
2 February 2023	Publication of the annual report
22 March 2023	General Meeting of Shareholders for 2022 at the company's offices, 10.30 a.m.

The company is based in Veghel and registered in the trade register of the Chamber of Commerce and Industry for East Brabant in Eindhoven under number 160.45.002.

Corridor 11, PO Box 47, 5460 AA Veghel, Netherlands
Telephone +31 413 34 3500 www.sligrofoodgroup.nl

Shares and dividend policy

Sligro Food Group N.V.'s shares are traded on the Euronext Amsterdam N.V. stock exchange and are included in the AScX index.

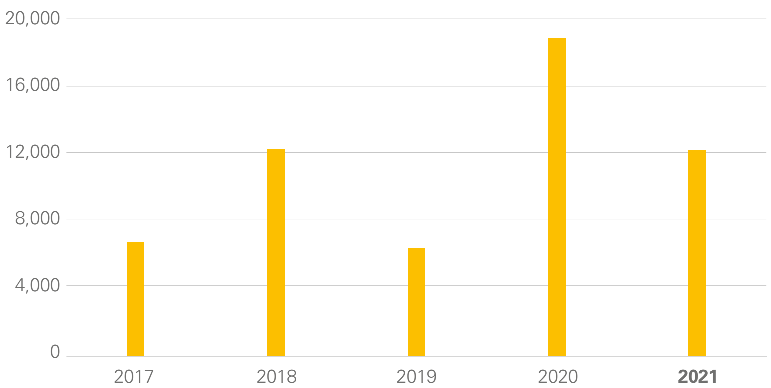
The share

There were 44,170,415 shares in issue at the end of 2021, an increase of 27,000 compared with year-end 2020. This increase can be attributed to the change in the number of shares repurchased to cover the share option plan.

The volume of traded shares in the reporting year amounted to 12,004 thousand (2020: 18,872) and the total value of shares traded was €272 million (2020: €301).

Following the change to the Dutch law on converting bearer shares, traditional bearer shares that are not included in the book-entry securities transfer system will automatically be converted into registered shares on 1 January 2020. As a result, physical bearer certificates have automatically ceased to be valid. The amendment to the articles of association on 27 June 2020 in connection with this law gives holders of former traditional bearer shares the opportunity to report to Sligro Food Group by 2 January 2026 to hand in bearer certificates and receive shares that will be included in the book-entry securities transfer system. As at 31 December 2021, Sligro shareholders hold a total of 3,780 (2020: 3,800) former traditional bearer shares.

Number of shares traded
(x 1,000)



The majority of these shares are held by Dutch investors. Market information has been used to estimate the geographical distribution of share capital. This information covers 88% of the capital in 2021 (2020: 84%).

Breakdown of share capital

	Private individuals		Institutions		Total	
in %	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Netherlands	49	50	22	24	71	74
USA			4	4	4	4
Australia			3		3	
UK			2	4	2	4
Other countries			8	2	8	2
Total	**49**	**50**	**39**	**34**	**88**	**84**

Given that shareholders are required by law to report any substantial holding or short position reaching, exceeding, or falling below a certain threshold, this can result in shares being counted more than once, meaning that these notifications do not always provide an accurate view of the number of freely tradable shares. In the table below, where possible this 'double-counting' has been taken into account and corrected.

Substantial participations[1)]

Date of most recent disclosure	Subject to reporting obligations	in %
28 April 2021	B.V. Beleggingsfonds 'Hoogh Blarick'	4.61
2 September 2020	NN Group N.V.	10.15
1 November 2016	APG Asset Management N.V.	10.03
3 July 2015	Boron Holding N.V.	5.03
6 April 2009	Stichting Administratiekantoor Arkelhave B.V.	5.06
1 November 2006	Stichting Administratiekantoor Slippens	33.96

1) This summary has been compiled on the basis of the 'Register of substantial participations and gross short positions' (www.afm.nl).

We seek to have regular contact with our investors and analysts. Twice a year, with the publication of the half-year report and the annual figures, we organise an analysts' meeting at our cash-and-carry outlet in Amsterdam. Additionally, we actively seek contact with analysts and investors during roadshows and conferences.

The General Meeting of Shareholders will be held on 23 March 2022.

Dividend policy

Sligro Food Group aims to pay a regular dividend of approximately 60% of the result after tax (excluding extraordinary items). A proposal may be made to pay a variable dividend, depending on the solvency and liquidity position. The dividend is paid in two instalments, i.e. an interim dividend in the second half of the year and a final dividend after the General Meeting of Shareholders.

Like in 2020, COVID-19 had great impact on the results in 2021. We have taken strong measures to mitigate losses and protect the company's financial position. We have, in our view, succeeded in doing that. Besides the measures we took, we also relied on government relief provided through the NOW and TVL wage subsidy schemes in the Netherlands and the TWO wage subsidy scheme in Belgium. Given that relief provided under these programmes is subject to a dividend ban, we will not be paying out a dividend for the 2021 financial year either.

A cash dividend of €0.00 per share was paid in 2021.

Earnings and dividend per share 2012-2021

x €1	2012	2013	2014	2015	2016	2017	2018	2019[1]	2020[1]	2021[1]
Profit (loss) from continuing operations	1.56	1.55	1.58	1.84	1.67	1.73	1.04	0.78	(1.59)	0.45
Dividend	1.05	1.05	1.10	1.20	1.30	1.40	1.40	0.55	-	-

Information for investors on components of revenue

Sustainable ('eerlijk & heerlijk')	11.2%	Organic, sustainable, fair trade, and locally sourced products
Tobacco	11.1%	All tobacco-containing products
Alcohol	9.9%	All alcohol-containing products fit for human consumption
Pork	2.1%	Fresh pork from butcher, meat, and charcuterie sections

More information about Sligro Food Group

Sligro Food Group's website (www.sligrofoodgroup.nl) provides information about the Group, its financial results, press releases, articles of association, remuneration, directors' shareholdings and share transactions, and corporate governance. This information is available in both Dutch and English.

[1] A dividend was not paid for the 2019, 2020, and 2021 financial years because relief provided under the Dutch government's NOW wage subsidy scheme is conditional on not paying out dividends.

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